CITY OF VANCOUVER

COUNCIL REPORT

Report Date:	March 31, 2025
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Meeting Date:	April 15, 2025

[Submit comments to Council]

TO: Vancouver City Council

FROM: Director of Finance

SUBJECT: 2025 Property Taxation: Distribution of Property Tax Levy

Recommendation

THAT Council instruct the Director of Finance to calculate the 2025 general purpose tax rates for all property classes to achieve a tax share of approximately 57.3% residential and approximately 42.7% non-residential.

Purpose and Executive Summary

Pursuant to s. 219 of the *Vancouver Charter*, the purpose of this report is to seek Council approval, before April 30, of the distribution of the general purpose tax levy to achieve a tax share of ~57.3% residential and ~42.7% non-residential for the purpose of calculating 2025 tax rates.

Council Authority/Previous Decisions

It has been Council policy that the tax rates for Classes 1, 8 and 9 and for Classes 5 and 6 be calculated on a blended basis, which means the classes within these two groups are taxed at the same rate before application of land assessment averaging.

In 2023, Council directed staff to undertake a property tax policy review to assess the City's property tax policy, efficacy of mitigation tools (targeted averaging, development potential relief, etc.), tax share approach, and other relevant metrics to gauge Vancouver's business climate and competitiveness relative to our neighboring municipalities.

- Phase I – "Tax Distribution" to be delivered in time to inform Council's deliberation on the 2024 tax distribution (completed in spring 2024); and
- Phase II – "Tax Stability & Predictability" and "Impact of Tax Policies from Other Taxing Authorities on Businesses" to be delivered in 2025.

City Manager's Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

Council determines the required general purpose tax levy to be collected as part of the annual budget process. The City does not generate higher tax revenue as a result of rising property values. Tax rates are adjusted for assessment changes to ensure "revenue neutrality".

Since 1983, it has been Council policy to allocate the general purpose tax levy across property classes through a "tax share" approach. Under this approach, Council approves the tax share for residential and non-residential property classes each year, including any tax shift decisions, subject to adjustments arising from non-market changes on the Assessment Roll (e.g. new construction, transfer of properties among classes). This approach ensures that tax share is set by Council policy, not driven by market forces.

Review of the City's property tax policies have been undertaken multiple times over the last 15 years to address two key issues concerning the impact the City's taxation policies have on Vancouver's economy.

Tax Stability & Predictability – to assess viable options to enhance tax stability and predictability arising from significant year-over-year market value changes.

Tax Distribution – to assess viable options to achieve a "fair" tax distribution; validate if the tax share between residential and non-residential property classes were appropriate; and recommend metrics for monitoring tax share and impact on residents and business climate.

With regards to tax distribution, the Chair of the Property Tax Policy Review Commission (the "Commission") endorsed the "tax share" approach and made the following recommendations:

- 2008: shifting $23.8 million (5% of total general purpose tax levy) from non-residential to residential property classes over five years (completed in 2012)
- 2014: no tax shift necessary; start using metrics to guide tax share decisions (implemented)
- 2019: no tax shift necessary based on metrics

In 2019, Council directed staff to shift $15.8 million (2% of total general purpose tax levy) from non-residential to residential property classes over three years (completed in 2021).

In 2024, the Property Tax Policy Review – Phase I work (RTS 16195) undertaken by Ernst & Young LLP ("EY") concluded that there was no compelling evidence to warrant a tax shift between non-residential and residential property classes at the time. Recent economic development has presented financial challenges to households and businesses, and both have limited capacity to absorb further property tax increases arising from a tax shift. The City's expert advisors, who led the previous Commission work, agreed that there was no compelling evidence to warrant a tax shift based on their own analysis and the metrics in the EY report.

Discussion

I. 2025 Revised Roll

In December 2024, Council approved the 2025 budget with an estimated tax increase of 3.9% and an overall tax levy of $1.21 billion.

Below is a high level summary of the year-over-year assessment and taxation changes:

(i) The taxable assessment base has decreased by $1.0 billion (0.2%).

(ii) The overall increase in the general purpose tax levy is $54.6 million (4.7%), which is comprised of the following:

2024 -	Assessment appeals & other adjustments	($1.5M)
2025 -	New construction, class transfers & other non-market changes	+ $13.7M
	Tax increase	+ $42.4M
	Overall increase in general purpose tax levy	+ $54.6M

(iii) New construction, class transfers and other non-market changes have shifted only 0.1% of the general purpose tax levy between residential and non-residential property classes.

(iv) Four sites totaling $66.4 million in assessed value have converted from Class 6 - Business to Class 8 - Recreation (e.g. parks & gardens), resulting in $0.3 million of general purpose taxes being redistributed to other taxpayers.

Refer to Appendix C: Impact of Assessment Changes on Tax Distribution and Appendix D: Conversion from Business (Class 6) to Parks & Gardens (Class 8) for further details.

II. Distribution of General Purpose Tax Levy

It has been long-standing Council policy to allocate the general purpose tax levy across property classes through a "tax share" approach. Under this approach, the tax share for residential and non-residential property classes is approved by Council each year, rather than being driven by market forces. Table 1 below shows the distribution of 2025 general purpose tax levy across property classes.

Table 1: 2025 General Purpose Tax Distribution

	Residential Class 1	Utilities Class 2	Supportive Housing Class 3	Major Ind. Class 4	Light Ind. Class 5	Business Class 6	Recreation & Non-profit Class 8	Farm Class 9	Total
Taxable value	383,626,946,821	282,945,552	142	372,803,000	2,178,910,000	76,922,310,634	1,252,688,600	208,565	464,636,813,314
Base tax levy	670,270,204	9,262,871	-	12,320,246	13,231,544	466,393,418	2,387,752	360	1,173,866,395
Tax increase	24,401,471	334,390	-	444,760	457,066	16,857,153	(119,383)	18	42,375,475
Final tax levy	**694,671,675**	**9,597,261**	**-**	**12,765,006**	**13,688,610**	**483,250,571**	**2,268,369**	**378**	**1,216,241,870**
Share of tax levy	57.1%	0.8%	-	1.0%	1.1%	39.7%	0.2%	0.0%	100.0%
Unaveraged tax rate	1.81080	33.91911	-	34.24062	6.28232	6.28232	1.81080	1.81080	

	Residential (Class 1, 3, 8 & 9)	Non-residential (Class 2, 4, 5 & 6)
Taxable value	82.8%	17.2%
Tax levy distribution	57.3%	42.7%

Note: As part of the Ports Competitiveness Initiative (2004), the Province has legislated municipal tax rate caps to eligible tenant-occupied port properties: $27.50 per $1,000 on existing properties and $22.50 per $1,000 on new investments.

*$1,216.2M general purpose tax levy - $2.2M forgone taxes = $1,214.0M Council-approved general purpose tax levy

Refer to Appendix A: Property Assessment & Taxation Framework and Tax Distribution Approaches, and Appendix B: Chronology of Council Decisions on Tax Shifts for further details.

III. Metrics to Guide Tax Distribution

In its report to Council in February 2014, the Commission emphasized that there is no single definition of the "correct", most appropriate tax share that should be borne by the commercial sector. The task of allocating taxes across property classes requires a degree of judgment. It recommended a number of metrics to gauge Vancouver's commercial property tax situation and ability to retain and attract business investments relative to other comparable Metro Vancouver municipalities, and to inform future Council decisions on tax share. In April 2024, EY identified additional metrics to supplement those recommended by the Commission as part of the Property Tax Policy Review – Phase I work.

The metrics presented below are not meant to be prescriptive; they help gauge Vancouver's business climate over the long-term. If the metrics suggest that the property tax situation for the commercial sector is worsening in Vancouver relative to other comparable Metro Vancouver municipalities, Council may consider shifting more taxes from commercial to residential properties. Conversely, if the metrics indicate that the tax situation for the commercial sector in Vancouver is relatively competitive, and that there is little evidence that Vancouver is losing its ability to attract and retain business investments, a further tax shift from commercial to residential properties may not be warranted.

The following charts show how Vancouver compares with Burnaby, Coquitlam, New Westminster, Richmond and Surrey from 2001 to 2024.

Figures 1, 2 and 3 show the **Business vs. Residential Tax Share** and **Business Tax Rate Ratio** (business tax rate/residential tax rate) trends. Vancouver's business tax share and tax rate ratio have reduced substantially over the past two decades.

Figure 1: Business (Class 6) Tax Share

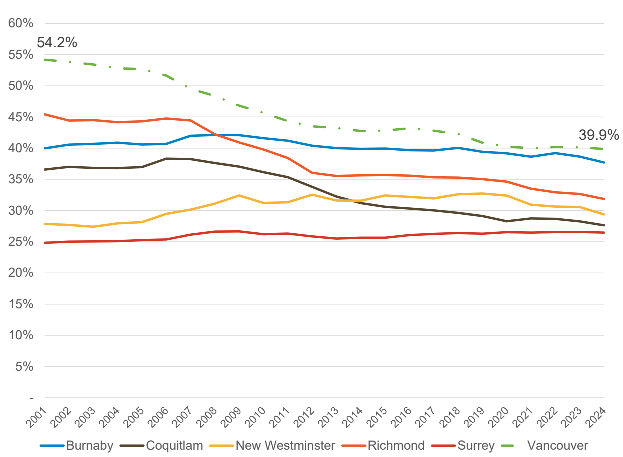


Figure 2: Residential (Class 1) Tax Share

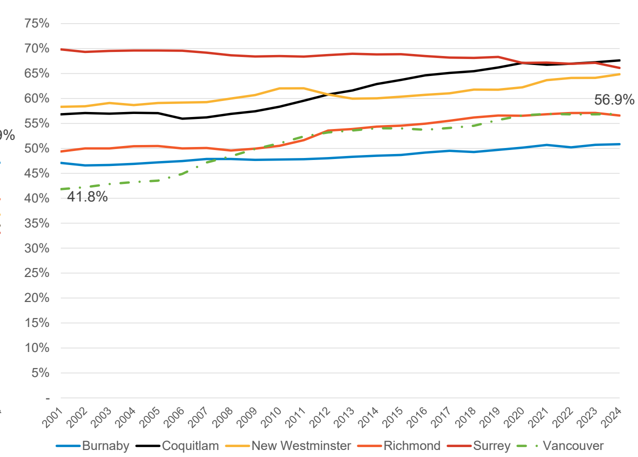
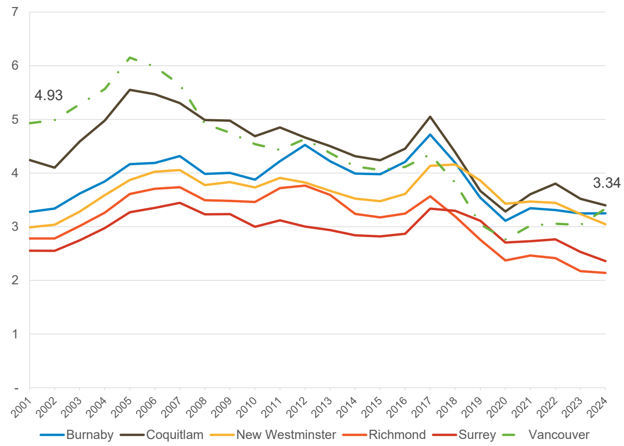


Figure 3: Business (Class 6) Tax Rate Ratio



It is important to note that the business tax rate ratio is impacted by market forces that are beyond Council's control. Assuming no Council-directed tax shift, if the value of residential properties appreciates faster than commercial properties, the tax rate ratio will naturally increase even though the business tax share remains the same. Conversely, if the value of commercial properties appreciates faster than residential properties, the tax rate ratio will naturally decrease. As such, relying on the business tax rate ratio alone to gauge tax equity among property classes without considering other complementary metrics could be misleading.

Figures 4, 5, 6, 7 and 8 show the **Business vs. Residential Tax Rates, Business vs. Residential Taxes per Capita** and **Total Municipal Taxes per Capita** trends. Vancouver's tax rates have reduced substantially but taxes per capita are trending much higher relative to comparable Metro Vancouver municipalities.

Figure 4: Business (Class 6) Tax Rate

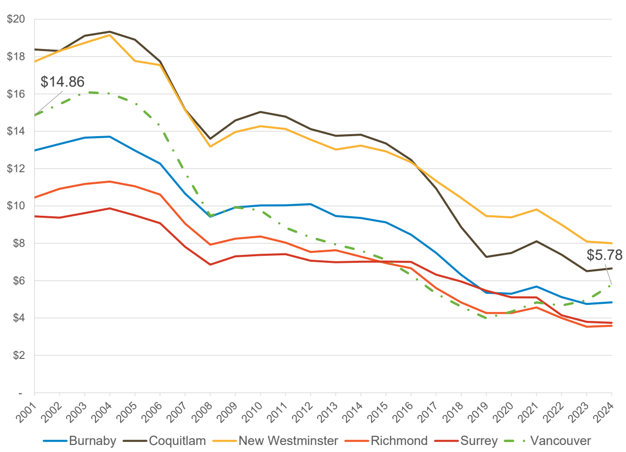


Figure 5: Residential (Class 1) Tax Rate

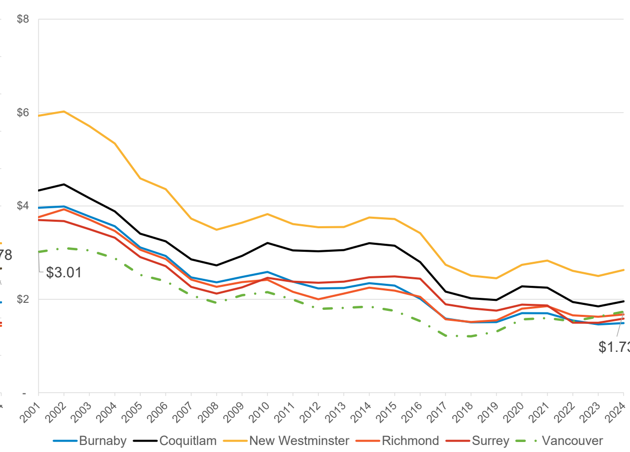


Figure 6: Business (Class 6) Taxes per Capita

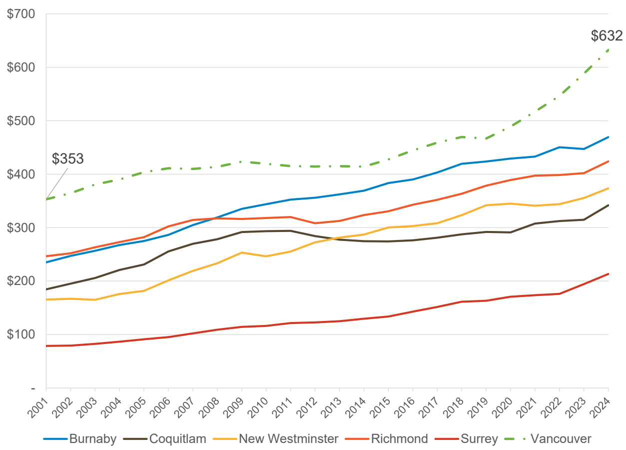


Figure 7: Residential (Class 1) Taxes per Capita

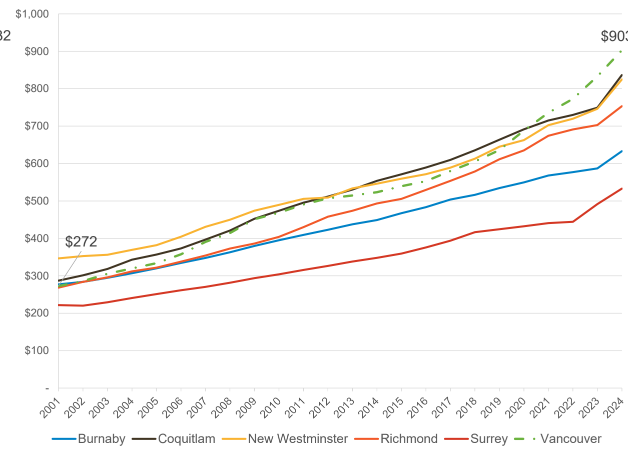
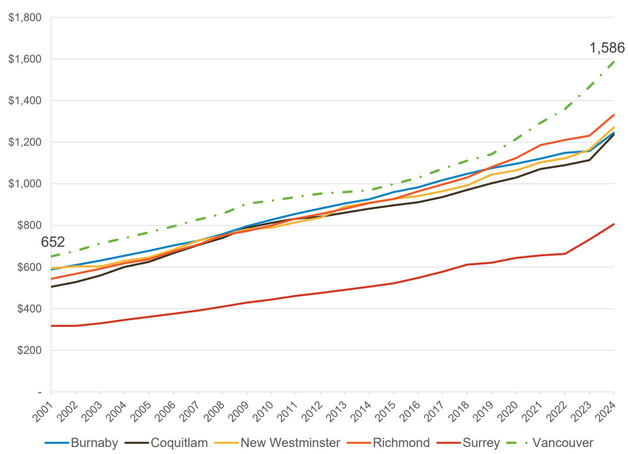


Figure 8: Total Municipal Property Taxes per Capita



Figures 9 and 10 show the **Commercial Building Permits** and **Business Property Assessment** trends, demonstrating the persistently strong market demand for commercial space in Vancouver over the past two decades.

Figure 9: Commercial Building Permits ($B)

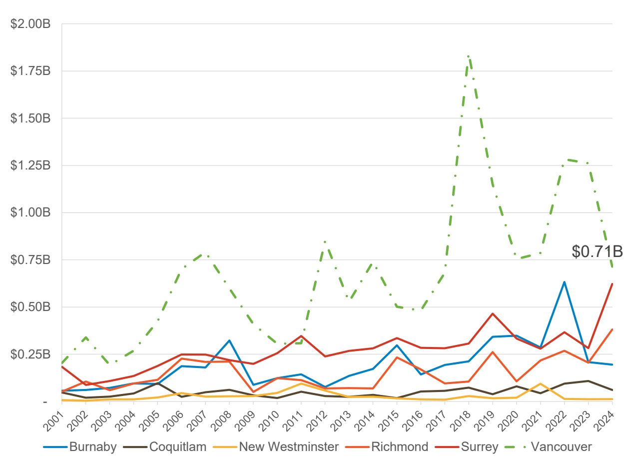


Figure 10: Business (Class 6) Assessment Growth

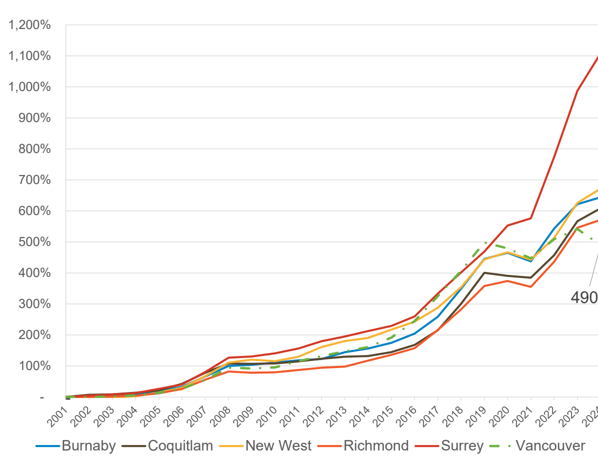
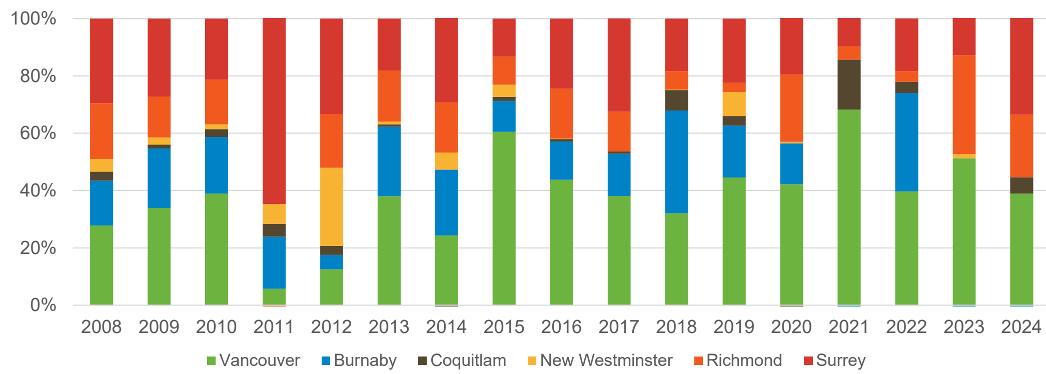


Figure 11 shows the **New Construction and Investment in Business Property** trend. Vancouver's share has mostly been above 40% over the past decade.

Figure 11: Business (Class 6) New Construction & Investment (% of Total)



Based on the above metrics, there is no compelling evidence that the business investment climate has turned away from Vancouver. The commercial office sector has not fully recovered from the work from home changes initiated during the pandemic; however, this is not unique to Vancouver as other areas of Metro Vancouver are similarly affected, and there are signs that the situation has stabilized and is beginning to improve. As well, the taxation impact on independent businesses and the arts, culture and non-profit sectors arising from development potential is being addressed through the pilot Development Potential Relief Program.

Staff will continue to monitor the impacts on residents and businesses of economic uncertainty triggered by US tariffs. No tax shift is recommended for 2025.

Financial Implications

In December 2024, Council approved the 2025 budget with an overall tax levy of $1.21 billion. Consistent with prior years, the final property tax increase has been adjusted based on the 2025 Revised Roll to generate the Council-approved tax levy – from the earlier estimate of 3.9% (December 2024) to 3.61% (April 2025).

Subject to Council approval, the tax share for residential and non-residential property classes would be ~57.3% and ~42.7% respectively.

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. The final tax rates for Class 1, 5 and 6, reflecting impacts of the development potential relief and land assessment averaging, will be presented in the 2025 Property Taxation: Rating By-laws & Averaging Resolutions report for Council approval in May 2025.

Legal Implications

There are no legal implications associated with this report's recommendation.

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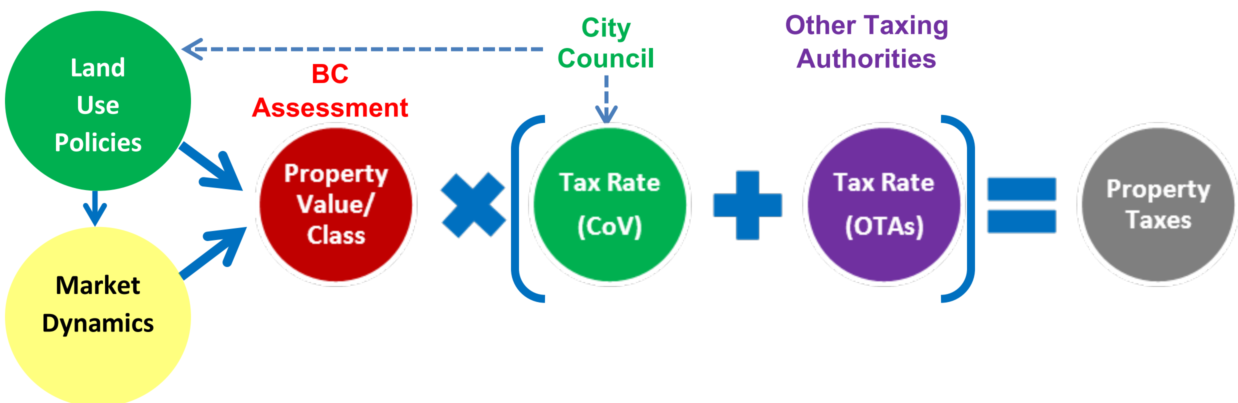
Property Assessment & Taxation Framework

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

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".

s. 374.2 (1) of the *Vancouver Charter* stipulates that Council imposes a single tax rate for each property class, not for each individual property within the class. To generate the Council-approved tax levy, when the total assessed value of a property class increases, the tax rate for the class is adjusted down; when the total assessed value decreases, the tax rate is adjusted up.

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.

Tax Distribution Approaches

Distribution of the general purpose tax levy across property classes has been a subject of discussion since the mid-1970s when market value assessments were introduced in British Columbia. There are two common approaches to tax distribution:

> ***"Tax Rate Ratio" Approach*** – "Class multiples" are used to fix the ratio between the Class 1 - Residential tax rate and the tax rates of all other property classes. This often leads to significant year-over-year tax shifts between residential and non-residential property classes arising from differential market value changes among those classes.
>
> ***"Tax Share" Approach*** – Distribution of tax levy across residential and non-residential property classes is determined by Council each year, including any tax shift decisions, subject to adjustments arising from non-market changes on the Assessment Roll (e.g. new construction, transfer of properties among classes). This approach ensures that tax share is set by Council policy, not driven by market forces.

In the late 1970s and early 1980s, the Province established the tax rate ratios for municipal governments annually. This resulted in significant year-over-year inter-class tax shifts arising from differential market value changes. At the request of Council and the Union of British Columbia Municipalities, the Province granted municipal governments the authority to determine their own tax distribution approach beginning in 1983. Since then, it has been Council policy to use the "tax share" approach.

The following guiding principles are typically used to inform the distribution of costs associated with tax-supported City services and programs among property classes; however, how they fit together is primarily a subjective consideration by Council.

- Equal treatment of equals
- Fairness, based on benefits received
- Fairness, based on ability to pay

- Economic behavior
- Accountability
- Stability and predictability
- Simplicity and ease of administration
- Regional and national competitiveness

When comparing tax share across municipalities, it is important to note that a number of factors may contribute to such differences:

- Different Council priorities and public policy objectives
- Different services levels
- Different funding strategies: property tax, utility fees and user fees
- Different mix of residential and non-residential properties on the *Assessment Roll*
- Different funding mechanisms for public transit, tourism and other programs:
    - *Public transit* – In Metro Vancouver, 95% of the Canada Community-building Fund (formerly known as Gas Tax Fund) is allocated directly to TransLink and only 5% is retained by municipalities; 75% of such funding flows through other municipalities outside of Metro Vancouver (e.g. Abbotsford).
    - *Tourism* – Some municipalities retain the hotel room tax; in Vancouver, such funding has been directed by the Province to Tourism Vancouver and recently to fund FIFA 2026.

Since the early 1990s, representatives of the business community have been advocating that distribution of tax levy be based on "consumption" of tax-supported City services and programs by each property class. Council did not support the use of "consumption" studies as the basis for tax distribution in 1995 and again in 2007. One of the key reasons is that consumption models in general focus on properties that receive immediate and direct benefits, though fall short on identifying those that receive secondary and/or ultimate benefits from City services and programs. Furthermore, determining benefits received is only one of the several aforementioned guiding principles to be considered in determining tax distribution.

It should be noted that the use of "consumption" studies within the context of property taxation policies was also considered by the Commission and was not recommended due largely to the reasons cited above. Nevertheless, successive Councils had made various tax shift decisions over the past few decades to gradually recalibrate tax distribution between non-residential to residential property classes.

Year	
1994	▪ Shifted $3.0 million from Class 6 to Class 1
1995	▪ Shifted $3.0 million from non-residential classes to Class 1
1996	▪ No shift
1997	▪ Shifted $2.9 million from non-residential classes to Class 1
1998-99	▪ No shift
2000	▪ Shifted $3.7 million from non-residential classes to residential classes
2001-02	▪ No shift
2003	▪ Shifted $2.1 million from non-residential classes to residential classes
2004-05	▪ No shift
2006	▪ Shifted $4.8 million from non-residential classes to residential classes
2007	▪ Allocated the entire 3.98% tax increase to residential classes, which is equivalent to a shift of $10 million
2008	▪ Shifted $5.2 million from non-residential classes to residential classes
2009	▪ Shifted $5.5 million from non-residential classes to residential classes
2010	▪ Shifted $5.7 million from non-residential classes to residential classes
2011	▪ Shifted $5.8 million from non-residential classes to residential classes
2012	▪ Shifted $1.6 million from non-residential classes to residential classes
2013-18	▪ No shift
2019	▪ Shifted $7.9 million from non-residential classes to residential classes
2020	▪ Shifted $4.2 million from non-residential classes to residential classes
2021	▪ Shifted $3.6 million from non-residential classes to residential classes
2022	▪ No shift
2023	▪ No shift
2024	▪ No shift
2025	▪ No shift (subject to Council approval on April 15, 2025)

Notes:

1. Tax shifts between 2008 and 2012 were effected as part of the multi-year tax redistribution program recommended by the Commission. The target was to shift $23.8 million proportionately from non-residential property classes (2, 4, 5 & 6) to residential property classes (1, 8 & 9) at a rate of 1% of the overall tax levy per year.
2. Tax shifts for 2019, 2020 and 2021 were directed by Council in April 2019 as part of the 3-year, 2% tax shift program. The target was to shift $15.8 million proportionately from non-residential property classes (2, 4, 5 & 6) to residential property classes (1, 8 & 9) over three years, at a rate of 1% in 2019, 0.5% in 2020 and 0.5% in 2021.

Appendix C: Impact of Assessment Changes on Tax Distribution

	Residential	Utilities	Supportive Housing	Major Industry	Light Industry	Business & Other	Recreational & Non-profit	Farm	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 8	Class 9	
ASSESSMENT BASE									
2024 Revised Roll	381,556,853,361	297,188,945	142	359,019,000	2,303,960,100	80,079,569,948	1,334,899,300	171,180	465,931,661,976
2024 Adjustments	(5,979,500)	6,800	-	-	(4,978,400)	(244,855,100)	1,016,100	26.8350	(254,763,265)
2024 Supplementary Roll	381,550,873,861	297,195,745	142	359,019,000	2,298,981,700	79,834,714,848	1,335,915,400	198,015	465,676,898,711
Share of Assessment Base	*81.9%*	*0.1%*	*0.0%*	*0.1%*	*0.5%*	*17.1%*	*0.3%*	*0.0%*	*100.0%*
2025 Market Change	(3,044,799,840)	(15,279,523)	-	16,830,000	(109,908,000)	(3,699,110,206)	(121,145,300)	793	(6,973,412,076)
	378,506,074,021	281,916,222	142	375,849,000	2,189,073,700	76,135,604,642	1,214,770,100	198,808	458,703,486,635
Share of Assessment Base	*82.5%*	*0.1%*	*0.0%*	*0.1%*	*0.5%*	*16.6%*	*0.3%*	*0.0%*	*100.0%*
2025 Non-market Change									
Class Transfers	1,346,750,300	4,644,280	0	5,424,000	(5,286,100)	19,937,534	50,464,900	13,390	1,421,948,304
Other	1,900,229,200	0	0	(5,414,000)	(25,579,000)	(87,096,500)	(28,036,400)	(3,517)	1,754,099,783
New Construction	1,873,893,300	(3,614,950)	0	(3,056,000)	20,701,400	853,864,958	15,490,000	(116)	2,757,278,592
	5,120,872,800	1,029,330	-	(3,046,000)	(10,163,700)	786,705,992	37,918,500	9,757	5,933,326,679
2025 Assessment Base for Tax Rate Calculation	**383,626,946,821**	**282,945,552**	**142**	**372,803,000**	**2,178,910,000**	**76,922,310,634**	**1,252,688,600**	**208,565**	**464,636,813,314**
Share of Assessment Base	*82.6%*	*0.1%*	*0.0%*	*0.1%*	*0.5%*	*16.6%*	*0.3%*	*0.0%*	*100.0%*
GENERAL PURPOSE TAX LEVY									
2024 Opening Tax Levy	661,333,416	9,228,962	-	12,420,909	13,322,050	463,039,293	2,313,714	297	1,161,658,640
2024 Roll Adjustments	(10,364)	0.2112	-	0	(28,786)	(1,415,811)	1,761	47	(1,452,942)
2024 Adjusted Tax Levy	661,323,052	9,229,173	-	12,420,909	13,293,264	461,623,482	2,315,475	343	1,160,205,698
Share of Tax Levy	*57.0%*	*0.8%*	*0.0%*	*1.1%*	*1.1%*	*39.8%*	*0.2%*	*0.0%*	*100.0%*
2025 Non-market Change	5,673,099	152,041	-	330	(187,430)	(407,197)	42,751	17	5,273,612
2025 New Construction	3,274,053	(118,344)	-	(100,993)	125,710	5,177,133	29,526	(0)	8,387,084
	8,947,152	33,697	-	(100,663)	(61,720)	4,769,936	72,277	17	13,660,696
2025 Base Tax Levy (before tax increase)	**670,270,204**	**9,262,871**	**0**	**12,320,246**	**13,231,544**	**466,393,418**	**2,387,752**	**360**	**1,173,866,394**
Share of Tax Levy	*57.1%*	*0.8%*	*0.0%*	*1.0%*	*1.1%*	*39.7%*	*0.2%*	*0.0%*	*100.0%*
2025 Tax Increase	24,401,472	334,391	-	444,760	457,066	16,857,153	(119,383)	18	42,375,475
2025 Tax Shift	-	-	-	-	-	-	-	-	-
	24,401,472	334,391	-	444,760	457,066	16,857,153	(119,383)	18	42,375,475
2025 Final Tax Levy (after tax increase)	**694,671,675**	**9,597,261**	**0**	**12,765,006**	**13,688,610**	**483,250,571**	**2,268,369**	**378**	**1,216,241,869**
	57.1%	*0.8%*	*0.0%*	*1.0%*	*1.1%*	*39.7%*	*0.2%*	*0.0%*	*100.0%*

Note: $1,216.2M general purpose tax levy - $2.2M forgone taxes from port properties adjustments = $1,214.0M Council-approved general purpose tax levy

Appendix D: Conversion from Business (Class 6) to Parks & Gardens (Class 8)

Folio #	Address	Assessed Value ($M)	General Purpose Taxes Redistributed to Other Taxpayers ($)	Photo*
664-134-25-0000	1371 11th Ave W	2.4	10,700	
790-246-99-0000	1973 49th Ave E	6.8	30,300	
592-118-40-0000	1166 Pender St W	50.8	227,100	
250-745-94-0000	5590 Victoria Dr	6.4	28,800	
Total		**66.4**	**296,900**	