

**TERMS OF REFERENCE FOR THE CITY OF VANCOUVER
PROPERTY TAX POLICY REVIEW COMMISSION
APPROVED BY VANCOUVER CITY COUNCIL SEPTEMBER 28, 2006**

1. OBJECTIVE

The Property Tax Policy Review Commission has been established to engage Vancouver's business and residential communities, as well as other key stakeholders, in order to:

- recommend to Vancouver City Council a long-term policy that will define and achieve a "fair tax" for commercial property taxpayers, addressing the perceived inequity in the share of the City of Vancouver's property tax levy that is paid by the non-residential property classes, as compared to the share paid by the residential property class, and
- to recommend a strategy to enhance the stability and predictability of property taxes for individual properties in the face of sudden, large year-over-year increases in market value.

2. BACKGROUND

2.1 Purpose of the review – The Property Tax Distribution Commission has been established by Council in response to concerns expressed to Council by the business community about the impacts of the City's current property tax policy on the health and competitiveness of Vancouver's economy. In recent years, the Vancouver Fair Tax Coalition (led by the Vancouver Board of Trade, and made up of representatives from local business improvement associations, small business owners and managers, industrial and office property owners and developers and business associations) has been telling City Council that they feel annual property tax increases are exceeding local business's ability to pay and are affecting the long-term competitiveness of business in Vancouver. They also feel that Council's land policy has been resulting in disproportionate growth of the residential class, and that these policies may ultimately be counter-productive to achieving the City's long-term goals.

In response, on April 20, 2006, Council recommended:

THAT Council instruct staff to propose a process to engage the business community, residential taxpayers and other key stakeholders to arrive at a long-term goal of defining and achieving a "fair tax" for commercial taxpayers. The goal should be achieved within the current framework of a "fixed burden" approach where the allocation of the levy among the classes of property

remains constant over time subject to physical changes within classes or to Council action, and the report is to articulate processes on how shifts might occur.

2.2 Study of Consumption of Tax-Supported Services – In 1995, at the recommendation of the Property Tax Task Force, Council commissioned KPMG Consulting to undertake a review of the consumption tax-supported City services by the residential and non-residential classes of property. The report was received by Council and has formed part of the rationale for the shifts of property taxation from the non-residential to the residential property classes in subsequent years. On July 18, 2006, Council commissioned MMK Consulting to undertake an update of this 1995 study. It is expected that the results of this work will be used by the Commission as an important component of their review of the City's property tax distribution.

2.3 The Current Tax Distribution – This table shows the share of the City of Vancouver's property tax levy paid by each of the seven property classes in 2006.

	2006 TAX LEVY (\$000s)	% SHARE
Class 1 - Residential	\$214,239	44.9%
Class 2 - Utilities	\$6,296	1.3%
Class 4 - Major Ind.	\$5,542	1.2%
Class 5 - Light Ind.	\$4,529	0.9%
Class 6 - Business	\$246,451	51.6%
Class 8 - Seasonal	\$291	0.1%
Class 9 - Farm	< \$1	< 0.0%
Total	\$477,348	100.0%

3. DELIVERABLES

The Property Tax Distribution Commission is asked to report to Council on the following items.

3.1 Assessment of Current Policies – Review the City of Vancouver's current property tax policies, and analyse the impact of these policies on Vancouver's business, industrial and residential taxpayers, highlighting key issues and identifying any inequities. Include as part of this work the following:

- a. *Evaluation Criteria* – Recommend to Council the appropriate criteria to use to assess the fairness of the City’s property tax policies. The Commission can use as a starting point the evaluation criteria set out in the April 1994 *Task Force on Property Taxation Report to Council*. Evaluation criteria may include benefits received, ability to pay, equal treatment of equals, accountability, stability and predictability of taxes for an individual property from year to year, cost of administering and collecting the tax, socioeconomic impacts of the tax and/or impact of the tax on the competitiveness of Vancouver businesses.
- b. *Appropriate Measures* – Recommend to Council the appropriate measures to use in order to assess the impact of the City’s property tax policies on taxpayers within each of the City’s property classes, to determine the fairness of the City’s property tax policies, and to understand the impact of Vancouver’s property taxes on commercial competitiveness. The Commission is asked to select measures that can be calculated using supportable, proven methodology, and to ensure that any comparisons made between Vancouver and other cities are meaningful, taking into account the considerable differences among municipalities in property tax and assessment systems, methodologies, market values and property types.

3.2 Fair Tax Target Distribution Target – Recommend to Council a definition of a “fair tax,” expressed as a set of target percentage shares of the City’s property tax levy among the various property classes.

3.3 Implementation Strategy – Recommend a strategy that would allow Council to arrive at the recommended fair tax distribution target, with specific timelines identified.

3.4 Long-Term Policy and Mechanism – Recommend to Council a long-term policy and mechanism that would allow Council to permanently maintain a fair tax distribution among the City’s property classes.

3.5 Strategy for Enhanced Stability and Predictability – Assess the causes of the negative tax impacts of year-over-year land value changes for properties located in market “hot spots,” where forces such as market activity or zoning changes lead to a rapid increase in property taxes for certain properties, and recommend to Council measures that could be implemented to mitigate these impacts, for both residential and non-residential properties.

4. PRINCIPLES AND GUIDELINES

The Commission is asked to undertake their work using the following principles and guidelines.

- 4.1 Equity** – Members of the Commission should have an appreciation of the impacts of any changes to the tax distribution on all classes of taxpayers.
- 4.2 Sustainability** – The recommendations made to Council by the Commission should be consistent with the City’s long-term objectives concerning economic, fiscal and social sustainability.
- 4.3 Independence and objectivity** – Members of the Commission should serve independently, and to the best of their abilities make recommendations to Council that will result in the best possible outcome for Vancouver as a whole, without favouring any one stakeholder group over another.
- 4.4 Simplicity** – Any recommended changes to the City’s property tax policies should be simple, transparent, and readily understandable by the City’s taxpayers and other stakeholders.
- 4.5 Consultation** – The Commission should appropriately engage the business community, residential taxpayers and other key stakeholders in the process undertaken to arrive at their recommendations.
- 4.6 Transparency** – The work done by the Commission should be transparent, with the Commission’s public process minuted, and recommendations reported to Council and available to the public.
- 4.7 Maintain Fixed-Share Approach** – The recommendations of the Commission should be developed within Council’s current tax policy framework of a “fixed share” approach to determining the property tax distribution, in which the share of the total tax levy allocated among property classes is determined by Council rather than by changes to market values.
- 4.8 Municipal Taxes Only** – The work of the Commission should be limited to a review of the distribution of property taxes levied by the City of Vancouver (termed “general taxes”), and should not include property taxes collected by the City of Vancouver on behalf of other taxing authorities.

5. SCHEDULE

1. The Commission is expected to deliver recommendations to City Council by March 1, 2007, in time for implementation for the City of Vancouver’s 2007 taxation year.
2. Should the work of the Commission not be completed by March 1, 2007, the recommendations made at that time can be made as interim recommendations, with the final recommendations of the Commission to be delivered to Council no later than June 1, 2007.

3. The number of Commission meetings and the schedule for these meetings will be determined by the Commission members.
4. The stakeholder consultation process will include opportunities for public input; the specific details of and the schedule for this process will be determined by the Commission members.

6. WORKING RELATIONSHIPS

1. **Vancouver City Council** – The Commission will make recommendations to Council that address each of the items listed in the Deliverables section of these Terms of Reference.
2. **City of Vancouver Staff** – City staff support will be made available to the Commission. The Director of Finance will provide financial data as requested by the Commission, and will manage the Commission’s requests for any other staff support or services.
3. **Stakeholders** – The Commission will determine the appropriate process for incorporating into their work input from various non-residential and residential taxpayer groups, plus any other stakeholders that wish to have input into this process.
4. **Professional and Academic Experts** – In the course of their work, the Commission may wish to consult various professional and/or academic experts in the field of property taxation or public finance.

7. HONORARIA AND BUDGET

1. The Commission will be allocated a preliminary budget of \$100,000.
2. \$35,000 of the Commission’s budget will be allocated to honoraria paid to the Commissioners: \$15,000 to the Chair and \$10,000 to each of the other two Commissioners.
3. Spending the discretionary component of the budget will be determined by the Chair in consultation with the City of Vancouver’s Director of Finance.
4. The Commission Chairperson, in consultation with the Director of Finance, will report back to Council with any further financial requirements of the Commission.

CITY OF VANCOUVER TAX POLICY REVIEW COMMISSION, PRELIMINARY BUDGET

Honorarium, Chairperson	\$15,000
Honoraria, Other Two Commissions	\$20,000
Discretionary Budget	\$65,000
Total Budget	\$100,000

8. BACKGROUND MATERIALS

The following is a list of important background documents and information for Commission members. City staff will provide the Commission any other available documentation and data that is requested.

DATE	DOCUMENT / REFERENCE
1979	<i>1979 Assessment Act</i> , Chapter 21 and various amendments
1982	<i>Municipal Expenditures Restraint Act Chapter 22 (assented to June 2, 1982)</i>
1983	<i>Property Tax Reform Act, No. 1 1983, Chapter 23 & The Property Tax Reform Act, No 2, 1983, Chapter 24</i> , as well as related <i>Table of Statutes</i> , updated to December 31, 1996
1983	<i>British Columbia Gazette</i> , December 27, 1983
1984	<i>Variable Tax Rates: A Guide to Implementation</i> , Province of British Columbia Ministry of Municipal Affairs
1984	Local Government Act, Tax Rate Limits Regulation
1989	<i>Report of the Municipal Taxation Review Commission, March 1989</i>
1994	<i>City of Vancouver Task Force on Property Taxation Report to Council, April 1994</i>
1995	<i>Study of Consumption of Tax-Supported City Services</i> , KPMG Consulting, March 1995
1996	Local Government Act; Sechelt Indian Government District Enabling Act, Vancouver Charter – Taxation Rate Cap for Class 2 Property Regulation, November 18, 1996
2004	<i>Enhancing Toronto's Business Climate – It's Everybody's Business, Attachment 2, 2004 Public Consultation – Synopsis of Tax Policy Workshop Comments</i> (www.toronto.ca/finance/tax_policies.htm)
2004	Local Government Act, Improvement District Tax Regulation
2005	Council report, <i>2005 Property Taxation: Distribution of Property Tax Levy</i> and associated meeting minutes, April 28, 2005
2006	Council report, <i>2006 Property Taxation: Distribution of the Property Tax Levy</i> and associated meeting minutes, April 20, 2006
2006	Report of the City of Vancouver Roles, Relationships and Responsibilities Review Committee and associated meeting minutes, July 20, 2006
2006	<i>Comparison of Municipal Operating Expenditures</i> , prepared for the Fair Tax Coalition by MMK Consulting, March 16, 2006
2006	<i>City of Vancouver 2005 Annual Financial Report, March 2006</i>
Currently underway	City of Vancouver Metropolitan Core Jobs and Economy Land Use Plan – www.city.vancouver.bc.ca/commsvcs/planning/corejobs
Currently underway	Update to the Study of Consumption of Tax-Supported Services, by MMK Consulting Inc.