

From: "Mochrie, Paul" <Paul.Mochrie@vancouver.ca>
To: "Direct to Mayor and Council - DL"
Date: 4/25/2023 7:13:43 AM
Subject: Property tax distribution - BIA proposal for adjustment

Good morning Mayor and Council,

We understand that the BIAs will be presenting to Council today to advocate for a 2% tax shift from non-residential to residential property classes for the 2023 tax year.

Impact of a 2% tax shift – For your reference, each 1% tax shift is equivalent to 1.75% tax increase for residential and 2.33% tax reduction for non-residential.

Should Council consider a 2% tax shift in 2023 without phasing, the overall tax increase would be as follows:

- residential: ~14.23% *before* averaging, or ~14.43% *after* averaging (incl. co-ops, social housing, below market and market rental)
- non-residential: ~6.07% *before* averaging & DPRP, or ~8.67% *after* averaging & DPRP

Efficacy of tax shift to support independent small businesses – Upon completion of the 3-year 2% tax shift in 2021, Council instructed staff to report on how much of the tax shift benefitted large corporations and businesses. Staff included such information in the 2022 Tax Distribution Report (<https://council.vancouver.ca/20220426/documents/r4.pdf>, pg. 7-8)

Of the \$15.8M tax shifted from non-residential to residential property classes, ~\$6.9M (46%) of tax savings went to:

- office buildings developed at, or close to, highest & best use (e.g. downtown AAA office buildings)
- regional malls (e.g. pacific centre)
- banks
- hotels
- auto dealerships
- big box retail
- warehouse & storage

Staff concluded that the blanket 2% tax shift did not effectively target independent, small businesses; instead, it reduced property tax for all commercial properties regardless of need and ability to pay.

Bill 28, which came into effect in November 2022, offers a more targeted approach to support independent, small businesses and community partners that are most impacted by development potential. As such, staff implemented the pilot DPRP in 2023 under an extremely tight timeline, and has committed to review and enhance the program in the coming years with input from key stakeholders.

As an alternative to an immediate decision to adjust the tax distribution, Council could elect to reconvene the Property Tax Policy Review Commission 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.

Council could also direct the Commission to assess how other taxing authorities' policies and decisions may impact the affordability and viability of businesses in Vancouver relative to the rest of the region. Some examples include the application of speculation & vacancy tax on unbuilt residential airspace above commercial, and the disproportionate amount of provincial school tax shouldered by businesses in Metro Vancouver relative to the rest of the province.

Should you have further questions, please contact me, Patrice Impey or Grace Cheng.

Best,

Paul

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The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷməθkʷəy̓əm (Musqueam), Skwxwú7mesh (Squamish), and səliłwətał (Tseil-Waututh) Nations.