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Subject: Tax averaging report questions and answers

Good Morning Mayor and Council

Please find below some questions from Council along with answers from staff on the tax averaging report.

Best

Sadhu

2020-03-10 – 2020 Property Taxation Questions

1. Regarding the "hot" areas where property values have increased the most relative to increases in other property values generally: is this because highest and best use has been changed by city policy or zoning? What specifically has happened with city policy/zoning in the West End and Downtown South to have created so many hot properties there?

There are a couple of reasons for this, but the key one being that there is usually an actual or perceived higher and better use than the current use, and market transactions will reflect that. Sometimes it may also be speculative in nature.

For the purpose of targeted averaging, year over year increase is the difference between current year's unaveraged value (BCA value) and last years' averaged value. For properties that have been "hot" for a number of years (say those in West End and Downtown South) and therefore stayed in the averaging program for years, their previous year's value was lowered due to the 5-yr averaging formula. As such, they remain "hot" this year even when the market has stabilized, as their base year value is lower than other properties.

2. If we proceed with upzoning for more density generally in RS zones, RT zones and C zones (for rental buildings) – could this also drive up property values?

Whether or not upzoning increases property values depends on the type of use under existing zoning and the type of use contemplated for future use. As an example, the value could look quite different between market rental vs. MIRHPP vs. social housing.

3. App C p. 3 shows a map of properties under the home owner grant program. There appear to be very low numbers in Dunbar (278) and Point Grey (454). How many homes are there in these neighbourhoods? Does that mean the rest are owned by people who don't reside in those homes? Do we know how many are rented vs. empty?

The regular home owner grant is reduced by \$5 for each \$1,000 of assessed value over \$1,525,000. This means properties assessed over \$1,639,000 receives no grant (i.e. basic grant threshold).

In Dunbar, 4,127 of 4,723 (87.4%) of residential folios are assessed over the basic grant threshold.

In Point Grey, 3,348 of 4,160 (80.5%) of residential folios are assessed over the basic grant threshold.

Do we consider this info in pursuing empty home tax?

Home owner grant claim status is privacy protected information that is not shareable between the two programs on a bulk basis. Also, a tenanted property is not eligible for the home owner grant. There isn't a direct correlation between the two programs.

4. App C p. 2 shows a map of properties under the property tax deferral program.

These properties are very concentrated in high numbers on the west side. Do we have any sense of what percent of total properties in these neighborhoods are deferring taxes?

Using Dunbar & Point Grey as examples, the # of properties that defer taxes is ~1,400 (16%), relative to 5% city-wide. One of the reasons could be the relatively high value homes on the west side occupied by retirees on fixed income who are asset rich but income poor.

5. We know targeted land assessment averaging has helped property owners facing egregious increases in property tax. Appendix A indicates that other municipalities could use this tool but none have. Why not?

Implementing and managing an annual averaging program requires dedicated staff resource, from policy development to annual execution & appeal processes. The City engaged the Property Tax Policy Review Commission multiple times to review and recommend how best to address assessment volatility issues. The Commission provided their expert advice, and engaged residents & businesses, and came up with the recommendation.

Assessment volatility used to be more localized within Vancouver. However, over the past few years, the issue has become more widespread within the Metro Vancouver region. Over the last couple of years, a number of MV munis inquired the City about this program, but did not pursue due to a variety of reasons.

Lately, the same MV munis joined the Intergovernmental Working Group to pursue Split Assessment as they would rather focus on taxation impact arising from development potential (not just typical assessment volatility).

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Pronouns: he, him, his



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the Musqueam, Squamish, and Tsleil-Waututh peoples.