

From: **"Mochrie, Paul"**

To: **"Direct to Mayor and Council - DL"**

Date: 2024-04-23 11:58:00 AM

Subject: RE: Property tax distribution - BIA partnership report

Attachments: Letter to Minister Kang Re Pilot Development Potential Relief Program, Stakeholder Feedback & Considerations for 2024.pdf

Mayor and Council,

Further to my previous email on the above topic, please find attached the letter sent to Minister Kang seeking a Charter amendment to incorporate non-City taxes within the scope of the DPRP.

Best,
Paul

From: Mochrie, Paul

Sent: Tuesday, April 23, 2024 9:14 AM

To: Direct to Mayor and Council - DL

Cc: City Manager's Correspondence Group - DL <CMCG@vancouver.ca>; Impey, Patrice <Patrice.Impey@vancouver.ca>

Subject: Property tax distribution - BIA partnership report

Good morning Mayor and Council,

As you know, Council will be considering the Property Tax Distribution report at Wednesday's Committee meeting. You have received an email and an accompanying report from Paul Sullivan on behalf the BIA partnership (see attached) which included a number statements on this topic. Staff have prepared some additional comments on the letter that may be relevant to you as you consider this matter.

Should you have any questions regarding these comments or the letter, please feel free to contact me, Grace Cheng or Patrice Impey.

Best,
Paul

The following are staff comments on 5 items in the BIA partnership report:

I. What's presented in the letter...

The BIA Partnership represents the majority of local independent businesses in the City of Vancouver. Property taxation continues to inhibit the ability to survive as a small business in Vancouver. The rate of increase of the municipal budget is unacceptable to the business taxpayer and unsustainable given the relatively weak growth in the number of new commercial properties to absorb the bloated budget increases. The DRPR program is inadequate tax relief and land averaging has run its course with land values now flat or declining. The evidence below makes it clear that the continued physical change of the city requires a further shift in the tax burden placed on business.

Staff comment: Targeted averaging provides tax relief to "hot" properties with assessment increases above the "threshold" (class average increase + 10%).

- The average change for Class 5 & 6 properties is -6% in 2024, and the "threshold" is 4% (i.e. even in a down market, there will still be "hot" properties that benefit from targeted averaging)
- ~4,300 (29%) Class 5 & 6 properties will benefit from averaging in 2024 (relative to ~3,200 properties in 2023)

II. What's presented in the letter...

| <u>Growth in Properties</u> | | | |
|-----------------------------|----------------------------|---------------------------|--------------|
| | New Residential Properties | New Commercial Properties | Growth Ratio |
| Last Ten Years | 25,584 | 604 | 42.4 |
| Last Five Years | 12,557 | 68 | 184.7 |

Staff comment: Staff typically caution against comparing property/folio counts between residential and commercial as an indicator of how robust new construction is for each sector, because the size of a folio can vary significantly. For example, a 350 sq. ft. condo is a residential folio and a shopping mall is a commercial folio.

III. What's presented in the letter...

| <u>Increases in Tax Levies vs Property Growth, Residential vs Commercial, Last Five and Ten Years</u> | | | |
|---|------------------------------|------------------------------|---|
| Year | Total Residential Properties | Total Residential Tax Levies | Change in Taxes Since 2013 Per Residential Property |
| 2013 | 180,287 | \$330,743,140 | - |
| 2018 | 193,314 | \$411,937,133 | \$420 |
| 2023 | 205,871 | \$612,535,010 | \$1,369 |
| Year | Total Commercial Properties | Total Commercial Tax Levies | Change in Taxes Since 2013 per Commercial Property |
| 2013 | 14,557 | \$285,272,470 | - |
| 2018 | 15,093 | \$341,434,356 | \$3,721 |
| 2023 | 15,161 | \$461,256,438 | \$11,608 |

Staff comment: Below is a more accurate comparison of tax changes (\$ and %) between 2013, 2018 and 2023 for both residential and commercial properties. The municipal portion of property tax on an average residential property has grown by 62% or \$1,140 over the past 10 years. For an average business, it has grown by 55% or \$10,827 during that same period.

| Residential | | | | | |
|-------------|------------|---------------|-----------|---------------------|----------|
| Year | Properties | Taxes | Ave Taxes | Change in Ave Taxes | % change |
| 2013 | 180,287 | \$330,743,140 | \$1,835 | | |
| 2018 | 193,314 | \$411,937,133 | \$2,131 | \$296 | 16% |
| 2023 | 205,871 | \$612,535,010 | \$2,975 | \$844 | 40% |

| Business | | | | | |
|----------|------------|---------------|-----------|---------------------|----------|
| Year | Properties | Taxes | Ave Taxes | Change in Ave Taxes | % change |
| 2013 | 14,557 | \$285,272,470 | \$19,597 | | |
| 2018 | 15,093 | \$341,434,356 | \$22,622 | \$3,025 | 15% |
| 2023 | 15,161 | \$461,256,438 | \$30,424 | \$7,802 | 34% |

IV. What's presented in the letter...

| Actual Tax Rate Ratios, 2013, Last Five Years & 2024 Estimate | | |
|--|------------------------|---------------------|
| Year | Class 1 Residential | Class 6 Business |
| 2013 | 1.0 | 4.3 |
| 2019 | 1.0 | 3.2 |
| 2020 | 1.0 | 2.8 |
| 2021 | 1.0 | 3.1 |
| 2022 | 1.0 | 3.1 |
| 2023 | 1.0 | 3.1 |
| 2024 (est.) | 1.0 | 3.5 |

Staff comment: Staff estimate the 2024 tax rate ratio for commercial properties is 3.3, not 3.5.

V. BIA Recommendation - Council to support the BIA Partnership in lobbying the Provincial Government for the inclusion of their share of property tax in the DRPR program.

Staff comment: Staff support this proposal. In fact, at Council's request last Fall, the Mayor sent the attached letter in November 2023 requesting the Province to make the necessary Vancouver Charter amendments to incorporate taxes levied by other taxing authorities into the DPRP.

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Report Suspicious

Kindly see attached report for Tuesday's meeting. A number of us will be speaking to this report.

Paul Sullivan

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Paul Mochrie (he/him)
City Manager
City of Vancouver



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷm̓ ̓m̓ (Musqueam), Skwx̓w̓ú7mesh (Squamish), and səliwətał (Tsleil-Waututh) Nations.



MAYOR KEN SIM

November 3, 2023

The Honourable Ann Kang
Minister of Municipal Affairs

BY EMAIL

Dear Minister Kang.

Re: Pilot Development Potential Relief Program – Stakeholder Feedback & Considerations for 2024

The City of Vancouver would like to thank the Ministry of Municipal Affairs for enacting Bill 28 – Municipal Affairs Statutes (Property Taxation) Amendment Act, 2022, which came into effect in November 2022. The City of Vancouver is the first and only municipality in BC to launch a program to kick-start the much-needed relief for independent businesses and community partners in 2023 that the Act will enable.

I am writing today to inform you that on October 18, 2023, Vancouver City Council requested THAT

“the Mayor write a letter to the Province to seek Vancouver Charter amendments to enable application of development potential relief on the Provincial school tax and taxes levied by TransLink, Metro Vancouver, BC Assessment and Municipal Finance Authority of BC.”

I appreciate your consideration of the City’s requests. Please do not hesitate to have your staff contact Chief of Staff, Trevor Ford (trevor.ford@vancouver.ca or 604-754-2530) to arrange for a meeting or to discuss any of these ideas or projects in further detail.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ken Sim".

Ken Sim
Mayor, City of Vancouver

Appendix

On Wednesday, October 18, 2023, the Standing Committee of Council on City Finance and Services approved the following:

THAT the Committee recommend to Council:

A. THAT Council receive for information the stakeholder feedback on the 2023 Pilot Development Potential Relief Program (the “DPRP”) as summarized in the Report dated October 3, 2023, entitled “Pilot Development Potential Relief Program – Stakeholder Feedback & Considerations for 2024”, and included as Appendix B of the same Report.

B. THAT Council approve, in principle, the continuation of the Pilot DPRP for the 2024 tax year, including the proposed refinements generally as outlined in the Report dated October 3, 2023, entitled “Pilot Development Potential Relief Program – Stakeholder Feedback & Considerations for 2024”.

C. THAT subject to B above, upon receiving from BC Assessment the list of properties that meet the Provincial eligibility criteria (the “Provincial List”) for the 2024 tax year, Council require the owner(s)/agent(s) of each property on the Provincial List to provide a written declaration to the City, by February 29, 2024, that:

- the property was in use from October 1 to December 31, 2023;
- the primary use of the property does not fall into one or more of the City exclusions; and
- the tenants/occupiers of the property must be informed of any tax relief resulting from the 2024 Pilot DPRP;

D. THAT properties whose owner(s)/agent(s) fail to provide such written declarations to the City by February 29, 2024 will not be considered for the 2024 Pilot DPRP.

E. THAT the Director of Legal Services, in consultation with the Director of Finance, be instructed to bring forward for enactment a Development Potential Tax Relief Declaration By-law as soon as practical.

F. THAT based on the written declarations received, the Director of Finance be instructed to report back for Council’s consideration, before March 31, 2024, the 2024 Pilot DPRP, including:

- a list of eligible properties;

-
- the percentage of assessed land value subject to the DPRP general purpose tax rate by neighborhood/zoning district;
 - the DPRP general purpose tax rate (expressed as a percentage of the blended rate for Classes 5 and 6); and
 - the projected tax rate impact based on the 2024 Completed Roll.

G. THAT Council request that the Mayor write a letter to the Province to seek Vancouver Charter amendments to enable application of development potential relief on the Provincial school tax and taxes levied by TransLink, Metro Vancouver, BC Assessment and Municipal Finance Authority of BC.

H. THAT the Director of Finance be instructed to continue to seek to engage the Province and BC Assessment to address the assessment data limitations.