

DEVELOPMENT POTENTIAL, PROPERTY ASSESSMENT AND TAXATION

Information for Independent Business, Arts, Culture and Non-Profit Tenants

In BC, properties are assessed at market value and property taxes are levied based on those values. For properties that face the prospect of redevelopment, the market expects a higher and better use than their current use and begins to price in a premium over and above the value that is justified by the current use alone.

As development potential on commercial properties is typically taxed at the business tax rate, independent businesses as well as the arts, culture and non-profit sectors in Metro Vancouver may find it challenging to afford high rents and taxes and still remain viable in their neighbourhoods.

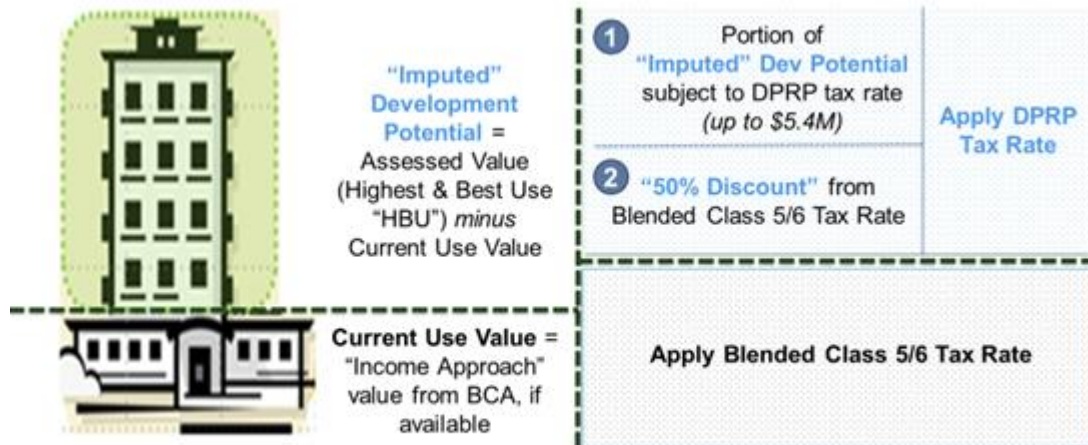
In November 2022, the Province enacted legislation that enables municipalities to provide development potential relief to eligible Light Industry (Class 5) and Business and Other (Class 6) properties.

The City of Vancouver was the first and only municipality to launch a pilot Development Potential Relief Program (DPRP) to provide relief for independent businesses and community partners for the 2023 tax year.

In October 2023, Council approved in principle the continuation of the DPRP pilot for the 2024 tax year, including certain refinements, and directed staff to report back on final program details before March 31, 2024. These refinements include:

	2023	2024
Property use	Based primarily on BCA use codes	Validate property use information through declaration
City criteria & exclusions	Primary use not defined	
	Storage & warehousing, office primary, auto service uses excluded	Same, unless $\geq 50\%$ floor area occupied by qualifying arts, culture, NPO or independent auto services
	In use on Oct 31 of prior year (provincial legislation minimum requirement)	$\geq 50\%$ floor area in use Oct 1 to Dec 31 of preceding year
Declaration submission	Up to 2 weeks	Up to 6 weeks
Tax relief	City taxes only, Other Taxing Authorities (OTAs) excluded (provincial legislation requirement)	Same, although City continues to seek Vancouver Charter amendments to extend relief to OTAs

HOW DEVELOPMENT POTENTIAL RELIEF WORKS



*Note 1: BCA is BC Assessment



Under the DPRP pilot, 5% to 55% of the land value (depending on neighbourhood or zoning district), up to a maximum limit of \$5.4 million, will be taxed at the DPRP rate that is 50% lower than the City's blended general purpose tax rate for Light Industry (Class 5) and Business (Class 6) properties. An example of how this tax relief is calculated is shown later in this document.

Currently, the DPRP does not apply to the Provincial School Tax and taxes levied by Other Taxing Authorities such as TransLink and Metro Vancouver.

An eligible property can only benefit from either DPRP **or** the targeted 5-year land assessment averaging program (described later in this document), but not both.

WHO IS ELIGIBLE

PROVINCIAL ELIGIBILITY CRITERIA

	
<ul style="list-style-type: none">• Has land & improvement in Class 5 (Light Industry) and/or 6 (Business)• In use (not vacant) as of Oct 31 of the preceding year• Class 5/6 land value \geq 95% of total Class 5/6 assessed value	<ul style="list-style-type: none">• Most split-class properties (except with Class 1 - Residential)• Exempt from municipal taxation, in whole or in part

ADDITIONAL CITY CRITERIA

A property is NOT eligible if the principal use (defined as 50% or more of the floor area) is for one or more of the following:

- Big box stores
- Billboards or signs
- Development presentation centres or temporary sales offices
- Financial services, including banks, credit unions, investment advisors, insurance and trust companies
- Gasoline stations
- Hotels
- International or national chains
- Manufacturing, production, wholesale, utility, communication, and logistics
 - except for floor area occupied by eligible arts and culture organizations* or eligible non-profit organizations*
- Neighbourhood or regional shopping centres
- Office, including general office, health care office, health enhancement centre and laboratory
 - except for floor area occupied by eligible arts and culture organizations* or eligible non-profit organizations*
- Parking, including parking garages and surface parking
- Properties owned or operated by any level of government or its agent
- Redevelopment sites for which a rezoning has been approved in principle following public hearing
- Storage or warehouse
 - except for floor area occupied by eligible arts and culture organizations* or eligible non-profit organizations*
- Vehicle dealer, auto service or carwash
 - except for floor area occupied by independent auto service

*Eligible arts and culture organization means Vancouver-based artists, arts collectives or community cultural organizations involved in the production, creation, rehearsal or presentation of arts and culture such as visual, performing, media, literary, craft or interdisciplinary arts; and

*Eligible non-profit organization means registered Vancouver-based non-profit societies, charitable organizations, or co-operatives in good standing with BC Registry Services or the Canadian Revenue Agency involved in the provision of information, referral or advocacy services, drop-in or activity space, or food, clothing or other aid for social purposes.

In addition $\geq 50\%$ of floor area of the property must be in use/occupied from October 1 to December 31 of the preceding year.

If a property has multiple tenants, some of which are eligible and some that aren't, 50% or more of the floor space must be used for eligible uses in order to qualify for the DPRP.

Property owners (or authorized agents) are required to submit a declaration confirming the eligibility of the property, uses of the property, that occupancy requirement is met, and that they will inform tenants if the property is eligible for the relief under the program. Property owners (or authorized agents) are encouraged to submit declarations online.

TAX CALCULATION EXAMPLE

For a property in the Cambie Neighbourhood where 35% of the land value is subject to the DPRP rate, the municipal general purpose tax levy with DPRP, and without, is shown below based on the 2023 tax rates.

SAMPLE PROPERTY

Property Value			
Land value	\$1,500,000		
Building value	\$20,000		
Total Assessed Value	\$1,520,000		
Sample Property Tax Calculation		NO DPRP	DPRP
Land value (i.e. 35% of \$1.5 M) subject to DPRP rate (\$2.52812/\$1000 of taxable land value)		N/A	\$525,000
Remainder of land plus building value taxed at regular blended rate (\$5.05624 per \$1000 of remaining taxable land value + building value)		N/A	\$995,000
Total Value taxed at regular blended rate (\$5.05624 per \$1000 of taxable property value)		<u>\$1,520,000</u>	N/A
General Municipal Taxes due		\$7,685.48	\$6,358.22
Other Taxing Authorities*		<u>\$6,573.78</u>	<u>\$6,573.78</u>
Total Property Taxes Due		<u>\$14,259.26</u>	<u>\$12,931.99</u>
Savings with DPRP		N/A	\$1,327.27

NOTES:

The DPRP tax rate is not applicable to the Other Taxing Authorities (Provincial School Tax, Metro Vancouver, TransLink, Municipal Finance Authority and BC Assessment) based on current legislation.

DEVELOPMENT POTENTIAL RELIEF PROGRAM AND TARGETED 5-YEAR LAND ASSESSMENT AVERAGING

The City offers two property tax relief programs for eligible Light Industry (Class 5), and Business and Other (Class 6) properties:

1. Pilot Development Potential Relief Program (“DPRP pilot”)
2. Targeted 5-Year Land Assessment Averaging (“Targeted Averaging”)

Properties can only benefit from one of the two programs, but not both. The differences between the two programs are described in the table below.

	DPRP pilot	Targeted Averaging
Addresses property tax impacts from	Unrealized development potential	Assessment volatility
Eligibility and exclusions	<ul style="list-style-type: none"> - Combined Class 5 and 6 land value must be at least 95% of total Class 5 and 6 assessed value - Refer to exclusions in the DPRP Declaration Bylaw 	<ul style="list-style-type: none"> - Year-over-year increase in value must be at least 10% above property class average % change - Refer to exclusions in the Land Assessment Averaging By-law
How tax relief is determined	<ul style="list-style-type: none"> - 15% to 55% of land value (depending on neighborhood or zoning district) is subject to DPRP tax rate (50% of blended Class 5 and 6 tax rate) 	To calculate the 2024 average value: <ol style="list-style-type: none"> 1. Take the average of 2020, 2021, 2022, 2023, and 2024 land value 2. Add the average land value to the 2024 improvement value
Maximum relief per property	<ul style="list-style-type: none"> - Amount of land value that is subject to DPRP tax rate will not exceed \$5.4 million 	<ul style="list-style-type: none"> - Year-over year change in values will not fall below Council-adopted threshold % - Reduction in land value will not exceed \$5.4 million
Tax relief applicable to...	<ul style="list-style-type: none"> - Municipal General Purpose Tax only 	<ul style="list-style-type: none"> - Municipal General Purpose Tax - Taxes levied by other taxing authorities (e.g., Provincial School Tax, TransLink, Metro Vancouver)

For more information on the Targeted 5-Year Land Assessment Averaging program, visit: <https://vancouver.ca/home-property-development/land-assessment-averaging.aspx>

TIMELINES

January 2024 – BCA sent out Assessment Notices

Jan 15, 2024 – City sent out codes to access DPRP declarations

Feb 29, 2024 – DPRP declarations must be received by the City

Mar 13, 2024 – Council approval for 2024 DPRP pilot and Targeted Averaging

Mar 31, 2024 – Final day to opt out of DPRP pilot

May 7, 2024 – Council approval for 2024 property tax rates

WHAT CAN YOU DO?

- Ensure your landlord is aware of the program and encourage them to submit the required declaration form as soon as possible ****Don't wait until deadline****.
- Visit <https://vancouver.ca/home-property-development/development-potential-relief-program.aspx> to learn more.