Don Cayo: City of Vancouver wants to move on soaring assessment values — but not anytime soon

BY DON CAYO, VANCOUVER SUN FEBRUARY 27, 2016

A motion put forward by Vancouver councillor Geoff Meggs (left), see here with Mayor Gregor Robertson, concedes, at long last, that the city's land-averaging policy is of limited use in easing the pain of soaring property assessments. And it leans on B.C. Assessment to do something more effective.

Photograph by: RICHARD LAM, Vancouver Sun

Vancouver council is pursuing a sensible strategy to protect neighbourhood businesses from brutal property assessment increases — but their pace is glacial.

No new policy will be in place this year to protect the hundreds of businesses, many of them mom-and-pop shops, from assessment increases of 35 per cent to 70 per cent in several neighbourhoods. And it's possible there will still be none in time to soften a similar-sized increase forecast for 2017.

To be fair, this isn't just council's call — the province and its property evaluation agency, B.C. Assessment, are also involved. And, politics being politics, council's resolution this week to move toward a solution focused more on tossing the ball at the provincial agency, not on doing something itself to fix the problem.

It's not just that land values are rocketing in neighbourhoods like Main, Cambie, Broadway, South Granville, West 4th, etc. It's also how tax rates are applied.

These streets are mostly lined with potential teardowns destined to be replaced by bigger, nicer buildings with ground-floor retail and upper-story residences. Tax policy encourages such neighbourhood renewal by valuing properties not for what they are, but rather what they could be if redeveloped.

In Vancouver, this certainly means steadily increasing assessments, and thus ever-larger tax bills. But in growing cities, this is normal.

What's wrong here, however, is how tax rates are applied to such properties: They are assessed as if they were condos, but they are taxed as if the unbuilt potential was all commercial. Given that residential land is worth much more than commercial land, and that the commercial tax rate is much, much higher than the residential rate, occupants get trapped in the worst of two worlds. And because most people rent, not own, they don't profit from a higher price if they eventually move.

This week's motion, put forward by councillor Geoff Meggs and endorsed unanimously, deals with residential — especially non-profit housing — as well as business properties. It concedes, at long last, that the city's land-averaging policy is of limited use in easing the pain of soaring assessments. And it leans on B.C. Assessment to do something more effective.

Specifically, it wants the appraisers to seriously consider split assessments — applying the commercial rate only to unbuilt space that will eventually be used for commerce, and taxing the rest of it at the residential rate.

This concept was endorsed by the B.C. Supreme Court earlier this month when it ruled in favour of Amacon, a large developer, that wanted the assessment split on nine properties it owns on Seymour Street. But Amacon's case is a little different than most neighbourhood businesses in that the allowable ratio of commercial-to-residential development is spelled out in zoning regulations, not left flexible.

And it is significant that neither the city nor B.C. Assessment is extending the Amacon principle to other properties with identical zoning, let alone those zoned differently.

Paul Sullivan, a partner in the property tax consulting firm of Burgess Cawley Sullivan and a force behind the Vancouver Fair Tax Coalition that advocates for better business tax policies, spoke at the council session and asked that the ruling be extended this year.

If it isn't, he told me later, many small businesses, maybe hundreds, will close their doors this year. But his request was turned down, because councillors worried about how the city will replace the revenue if these businesses get a break.

Sullivan argued that council could fix the problem now, without waiting for the province to change the law, by simply reinterpreting existing legislation to get B.C. Assessment's practice in line with the desired outcome — keeping property tax increases manageable.

Later, Sullivan shared with me calculations showing a typical small business with low profit margins would have to gross $400,000 additional revenue this year to cover the increase in property tax.

"I don't think many of these businesses have this kind of growth potential," he said.

He also noted the current tax policy has a big impact on an issue councillors hold near and dear: high and ever-rising housing costs.

The excess taxation each year — the amount over and above what would be paid if the assessments were split — works out to well over $3,000 for each 700-square-foot unit that will eventually be built. Since it usually takes three or four years for a developer to get permission to build, costs add up to something like $10,000, maybe more, for each of these fairly small units.

And, "If you want to talk about family housing, double that."

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