

This article appears to ignore the fact that the assessment authority can already provide an assessment based on actual use of residential property, rather than the higher zoned uses, providing that the owner has resided there for 10 years or more. - cjk

Don Cayo: City manager says property tax 'hot spots' are on her radar

Split assessments: Potential to join with other municipalities to come up with coordinated approach

BY DON CAYO, VANCOUVER SUN NOVEMBER 8, 2014



Emerging Real Estate Trends 2015 describes Vancouver's real-estate market as one of the country's 'best bets' next year.

Photograph by: Ian Smith, Vancouver Sun

'Hot spots' — neighbourhoods where real estate prices and property tax bills soar hand-in-hand — can happen anywhere, but they are common and especially serious in Vancouver where land values range from sky-high to astronomical.

The city's tax commissioner, Stanley Hamilton, and his colleagues were concerned enough about the problem that they stepped beyond their narrow mandate to urge a solution in a major report presented last winter. They advised the city to court support from other municipalities and to press the province for legislation to allow split-assessments — a simple and fair solution that I'll explain in more detail in a moment.

So far, all council has done publicly is to ask staff to look at Hamilton's recommendation. But when city manager Penny Ballem talked to me in connection with Friday's column on a legal battle over a small step toward split assessments, she said the broader issue is still very much on City Hall's radar screen.

The city didn't take the issue to the floor of the Union of B.C. Municipalities meeting in Whistler in September, she said, because it was too soon. It was still in the process of contacting other municipalities to see if a coordinated approach is possible.

Some have already responded, others are likely to soon, and she expects a submission to the province to go forward not long after.

Now Ballem didn't specifically say these steps about to be taken involve pressing for legislative approval of split assessments, as business tax groups have been urging and as Hamilton and his commission recommended. Rather, she talked vaguely and more broadly about the need to investigate

ways to deal effectively with hot spots.

And there may, indeed, be policy solutions aside from split assessments that can work. Richmond, for example, softened the property tax hit for businesses located on land that shot up in value when the Canada Line opened. It provides five years of transitional help — not enough to keep many of small firms in the same location forever and lock the neighbourhood in a time warp, but enough to give them time to find alternatives.

But the split-assessment solution is well suited to Vancouver, which is burdened with an illogical and unfair practice that creates the worst of two worlds for under-developed properties. First these properties — land with old and tired buildings ripe for replacement — is valued as if it were already high-end residential. Then the business tax rate, 4.5 times the residential rate, is applied to this very high assessed value.

Split assessments would simply assess and tax un- or under-developed land on the basis what it will actually be used for — some of it residential, and some commercial.

The “solution” that doesn’t work is the one that various Vancouver city councils have endorsed for years. It is the policy of averaging recent assessments.

In hot spot business districts, most of the value of most properties is the land, not the building. And what Vancouver does is average the land assessments for the last three years (Hamilton recommended five). In a market where prices always go up — as they did here for many years — this lowers the assessment in any given year.

At best, it defers the day of reckoning for businesses located in increasingly unaffordable neighbourhoods. At worst — as businesses discovered when prices in some parts of the city started to drop in some years — it means higher tax bills.

A case in point will be South Granville in 2015. Sharon Townsend, executive director of the neighbourhood’s Business Improvement Association, told me land values for many properties there have dropped in the most recent assessments.

But, in the perverse way the system works, averaging will drag up the value on which tax is levied. As well, when the value assigned to the land goes down, the value assigned to buildings on it generally goes up. So in a year when you might expect tax bills to dip, they are almost certain to rise.

This is why it is good to see Ballem and her staff tackling this hot spot problem, and planning some overdue action to get relief.

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