Assessment Act regulation change = more affordability during development

For many years, the *Assessment Act, Prescribed Classes of Property Regulation* has been a sore point with developers holding land for redevelopment.

Under the regulation, Class 1 - residential, was defined as:

(c) land that had no present use and which is neither specifically zoned nor held for business, commercial or industrial purposes.

But Class 1 was often taxed as commercial land even when held for eventual residential use.

Paul Sullivan, a property tax agent and partner at Burgess Cawley Sullivan & Associates, describes how if a developer had a single tower site which was approved for 250,000 square feet of residential density and zoning required the ground floor to be retail, the entire project was zoned commercial – which is as much as five times the rate of residential – because the zoning allowed for commercial.

"Standard appraisal processes value property at its highest and best use," explains Sullivan. "But there was a disconnect between the value and the classification."

What has changed?

The Urban Development Institute took up the cause and after a decade of work, succeeded in having the *Prescribed Classes of Property Regulation* amended with regard to the taxation of mixed use development land and residential use. It's a major achievement.

Now, BC Reg. 323/2010 enables local governments with a zoning bylaw, a phased development agreement or a land use contract under the *Local Government Act*, or a covenant under the *Land Title Act*, to allow developers:

- to structure a development so that land for residential use is taxed at a residential tax rate; or
- to obtain split classification as both residential and commercial during the holding period as vacant land.

"This change will lower costs for developers, which will lead to more affordability," says Sullivan.