# Property tax assessment system needs overhaul

## Policies reward upscale premises and punish down-market properties with increased valuations on Cambie

**BY DON CAYO, VANCOUVER SUN** NOVEMBER 3, 2011

There'll be about a dozen winners and many more losers - some of them big losers - in the 2012 version of assessment roulette that's playing out along the business part of north Cambie Street within a dozen blocks either side of city hall.

The outcome won't be random chance. There's a clear pattern in which some properties are likely to see one-to-12 per cent reductions in the taxable value of their premises, and some can expect to be hit with doubledigit increases - mostly in the 15-30 per cent range.

The short story is that, unless the city sharply changes its policy, those who can afford newish, upscale premises will see their assessments hold steady or drop, and those occupying the older one-storey structures that typify the neighbourhood will be hammered.

The 2012 assessments aren't yet set in stone or mailed out to taxpayers, but draft copies are provided to interested parties by B.C. Assessments. Paul Sullivan of Burgess Cawley Sullivan, who is retained by the Cambie Village Business Improvement Association to advise on property tax issues, shared his copy with me, along with his calculations of what the taxable value of each property will be if the city sticks with long-standing policies.

The likely result, a de facto tax shift of tax burden from upscale premises to down-market, won't be the fault of assessors, Sullivan said. Rather, the issue will be what ill-thought-out tax policy does with these numbers.

What's the problem? To understand, it helps to start by looking at how the assessments are compiled. At the heart of the process are three numbers - two based on verifiable analysis, and one that's really just made up.

The total taxable value of the property is what it could sell for on the official assessment date in July - a number that can be determined with a fair degree of precision based on size, location, and sales data from the neighbourhood. In the same way, a realistic value can be placed on the land alone - what would it be worth without a building on it?

But the value assigned to actual buildings and other improvements has nothing to do with either their intrinsic worth or replacement cost. It's simply whatever's left over when you subtract the value of the land from the total property value.

The city's practice is to average the last three years of land values, but not values assigned to the improvements, to come up with a taxable value. A bylaw to do so must be renewed if this is to be the case again in 2012, but neither the existing council members nor those campaigning to replace them are indicating this may change.

So Sullivan has done the math to see what the 2012 taxable values for his clients are likely to be. (Actual tax bills could change by either more than or less than these amounts, as they'll be based on the tax that the new council imposes for 2012.) The BC Assessment figures show soaring land values, as predicted when the new Canada Line brought first-class public transit to the neighbourhood. Thus averaging, assuming it's approved again for 2012, will soften the increased in assessed value for the both upscale and downmarket properties.

But Sullivan's calculations show that averaging will be of much more help to upscale properties, where the deemed value of the improvements is high, than to down-market ones, which would be considered teardowns by any potential purchaser and have deemed values of next to nothing.

Consider two moderate examples - one that should do fairly well in the assessment roulette and one that will do somewhat worse.

The Robinson Lighting and Bath building at Cambie and Seventh sits on a piece of property that was assessed at $5.6 million in 2011, and has risen to $6.7 million in the 2012 draft - an increase of $1.1 million. But the deemed value of the newish building that the land dropped from just over $2 million to just under $1.5 million. This means - with land averaging factored in - an increase of three per cent in taxable value. That's at the low end of the advantage enjoyed by upscale buildings, a dozen of which will see their taxable values decline.

On the other hand, Leonard Schein's venerable Park Theatre sits on land that has increased in value from $5.6 million to $7.5 million. His "improvement" - the theatre building - has correspondingly decreased in value. But it's deemed value is so low - $166,000 in 2011 and just $52,000 now - that this decrease does next to nothing to balance the increase in the value of land. So, even with averaging, he'll be hit with an increase of 16 per cent in taxable value - on the low side of what older buildings on the street are experiencing.

There are potential solutions - my previously argued idea of basing business taxes on rent paid; the Richmond solution to offer transitional tax relief to areas where the Canada Line has caused assessments to soar; a provision that allows Vancouver city council to offer revitalization tax credits; or Sullivan's preferred option of split assessments that assign some of a property's value to potential business development and the rest to potential residential development.

But, sad to say, nobody running for council seems to be talking about these things.

dcayo@vancouversun.com Blog: www.vancouversun.com/economy