Parking tax blamed for downtown properties' massive value drop

Vancouver Business Owners and Managers Association chair says revenue losses will continue, which could raise levies higher still

BY DON CAYO, VANCOUVER SUN MARCH 14, 2012

Most businesses in Vancouver can expect to be stuck with $150-$300 each in extra property tax this year thanks to a massive drop in the 2011 assessed value of a great many downtown properties.

This assessment drop is an indirect consequence of TransLink policies, according to Paul Sullivan, the chair of the taxation committee for the Vancouver Business Owners and Managers Association. Between $100 million and $200 million has been shaved off the total assessed value of downtown commercial properties, said Sullivan, who is also technical co-chair of Vancouver Fair Tax Coalition and a partner in the tax consulting firm of Burgess Cawley Sullivan.

Since commercial assessments are based on the revenue-producing potential of a property, this is a direct result of a 10-to 20-per-cent drop in parking revenue at downtown lots, he said.

He and the building owners blame the revenue drop squarely on TransLink's decision just over two years ago to triple what used to be seven-per-cent PST on parking to 21 per cent. When the HST is added, it works out to a more than 35-per-cent increase in the cost of off-street parking in Metro Vancouver.

When I said much the same thing in a column on the parking tax a year ago, TransLink's communication director Ken Hardie responded that "a more likely reason is the increase in transit capacity, especially with the opening of the Canada Line and the 30-per-cent increase in Expo and Millennium Line SkyTrain cars."

I suspect both factors - TransLink's tax and Trans-Link's improved transit options - must have played a role. But the parking operators certainly have lots of anecdotal evidence to back their case, and the timing of their sharp drop in business certainly underlines a link with the tax.

Sullivan, who represents many downtown buildings on property tax matters, says assessments were typically lowered about $5,000 per parking stall this year because of reduced parking revenue.

With about 20,000 parking stalls in office buildings alone, and perhaps twice that many when parkades and lots are included, this adds up to $100 million to $200 million in assessed value, or $2 mil-lion to $4 million in forgone tax revenue.

Because the portion of Vancouver's tax levy paid by business doesn't vary regardless of whether the total assessed value goes up or down, the money not collected from downtown buildings simply gets divided up proportionately and added to the bills of all the other businesses.

Sullivan said building owners expect their parking revenue losses to continue. What's even more alarming, he said, is the prospect that TransLink will raise the parking tax higher still.

A leaked study done by Trans-Link, the province and the cities of Vancouver and Surrey I reported on last month speculated on almost two dozen possibilities to raise money for ambitious transit expansion.

It ranked a parking tax increase of 4.5 to 13.5 percentage points as one of the favoured options.

CORRECTION: I was incorrect in Tuesday's column when I tried to describe how the tax on used cars worked in the past and how it will work in the future. Before the HST, purchasers of private vehicles paid seven per cent PST, but no federal GST. Under the HST, private sales of used cars would normally be exempt, but the province implemented a separate 12-per-cent tax.

What last month's provincial budget does is leave that 12-per-cent tax in place. So the tax rate on used vehicles will be 12 per cent after the province reverts to PST next year, rather than seven per cent, which it was under the old PST system.

dcayo@vancouversun.com