Council is finally pursuing solutions to property tax woes

Land averaging policy is a weak response to wildly escalating bills

BY DON CAYO, VANCOUVER SUN MARCH 1, 2012

There's both no surprise and a pleasant surprise wrapped up in a Vancouver city council motion passed Tuesday to nail down the property tax policy for 2012.

As expected, the motion extends for 2012 a long-standing policy that calls for averaging the last three years' assessments to obtain the taxable value of both residential and commercial land in the city. The policy originally was - and still is - intended to smooth out huge jumps in property tax bills as land values soar. But, as I point out in columns last year and again this week, aver-aging seems to create as many inequities as it solves, and it's becoming less and less effective as each year passes.

So the unexpected and welcome news out of council is that the motion was amended to instruct city staff to thoroughly review alternatives to averaging as a way to take the big bumps out of the ever-increasing tax burden.

The review is in direct response of a number of concerns and ideas brought for-ward by citizens and business groups at the council meeting, and Coun. Raymond Louie, the chairman of council's finance and services committee, says it will be broad.

It will examine not only the full extent of the problem and the range of solutions the city could undertake, but also what could be appropriately dealt with by both the province, whether through legislation or through the B.C. Assessment Authority, or by the private sector. It won't have any answers in time to address this year's issues, but it should have a range of solutions spelled out in time for consideration for 2013.

The land averaging policy has always been, in my view, a weak response to the problem of wildly escalating tax bills. At best, it puts off the pain for a couple of years by softening the increase in the taxable value. At worst, it creates artificial winners and losers based on political manipulation rather than predictable and ultimately self-correcting market forces.

Worse, the way the averaging applies to business proper-ties has made it less equitable over time. As I spelled out in my column on Tuesday, business assessments have three components - the market value of the land, the income-generating value of a property based on market-priced rents, and a made-up figure that has nothing to do with its utilitarian value or replacement cost, that is supposed to represent the value of the building. On a property with a good building, when the market value of the land goes up, the deemed value of the building goes down, and thus dramatically softens the hit on the property tax bill. But once a building reaches the point where it's deemed to be essentially valueless, this protection doesn't work any more. So businesses in older, undistinguished buildings are vulnerable to much larger tax increases in any given year.

Worse, as Paul Sullivan, the technical co-chair of the Vancouver Fair Tax Coalition, notes, a big majority of community retail businesses in Vancouver are located in buildings that, according to their official assessments, have little or no value and are essentially tear-downs. If these locally owned businesses, the heart and soul of any neighbourhood, get clobbered too hard, he notes, they'll fail. And the city and their neighbourhoods will be worse off for their loss.

This year, Cambie Street - where land prices are soaring due to the completion of the Canada Line - is the poster child for brutal tax increases facing community retailers. But all the signs are there that other neighbourhoods - South Granville, Broadway, West Fourth - will be next, Sullivan says.

Council is rightly responding to these serious warnings. And their approach - looking at all of the players and all of the possibilities - is the right way to go.

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