Property bills not going down with tax rates

Despite their complaints, Vancouver homeowners do not pay enough to cover the cost of the services they enjoy

BY DON CAYO, VANCOUVER SUN JUNE 4, 2013

The City of Vancouver's mill rate for 2013 - the amount which, when multiplied by the value of your property, determines your municipal tax bill - is down sharply over the last few years.

In rounded figures, the residential rate now stands at 3.8, down from 4.1 last year and as high as 5.6 in 2007. Meanwhile this year's business rate is 16.5 compared with 17.5 last year and 24.9 six years ago.

But, as most home and business owners have learned the hard way over time, what happens to the mill rate doesn't always square with the property tax bill you receive.

So many of this year's bills, which began arriving last week, are down little or nothing from last year, and some are up. Nor is it easy to reconcile the pattern of tax bills for most Vancouver residents or business owners with the headline-grabbing study of municipal spending released last week by the Canadian Federation of Independent Business.

It calculated the increase in city spending that's in excess of the combined rate of inflation and population growth to work to an average of $8,007 per household.

This number is accurate, and - despite the cavalier way city politicians have tried to blow it off - it serves a useful purpose by dramatically illustrating the pace of spending growth at city hall.

Yet - thanks to three factors that muddy the picture of what's happening to spending at city hall - it's one of those cases where hardly anybody is "average." So this dramatic number neither describes nor predicts the pattern of most people's tax bills.

Actual numbers vary a lot from neighbourhood to neighbourhood and property to property. The determining factor is how property values have changed in relation to the rest of the city. This is affected hugely by things such as improvements to a property, zoning changes that boost the potential for development, better access to transit, and the perceived trendiness of a neighbourhood. A fair generalization - though there will be exceptions - is that over the 12 years of the CFIB study, individual residents' tax bills will be up less than this number suggests, while business tax bills will tend to be up more.

This is because, despite frequent complaining, Vancouver homeowners do not individually or collectively pay enough in property tax to cover the cost of the services they enjoy. A much higher business tax rate means citizens are subsidized by companies whose tax bills are much higher than the cost of the services they consume.

The basis of this subsidy is an arbitrary formula that assigns a specified portion of the total tax burden to businesses and the rest to residents. Successive councils have been shifting one per cent a year of this burden from business to residents, bringing it from a peak ratio of six to one to a somewhat more manageable - but still high - 4.3 to one.

This should, in theory, lessen the subsidy, which peaked at about 45 per cent of the cost of residential services. But it's counterbalanced by the dynamics of the real estate market - the residential property base is expanding much more than the business base.

In the five years leading up to 2010 alone, the value of new residential construction in the city totalled almost $8.5 billion. This means the residents' share of the total levy is now split among many more individual homeowners, while the business burden continues to be carried by a more-or-less stable number of firms. Hence the tax bills for most businesses rise much more rapidly than the bills for residences.

Meanwhile, taxpayers are shielded from full exposure to the city's spending habits by another factor that, although it's not exactly a secret, tends to stay under the radar. It's the huge amount of money the city rakes in from developers.

Last year alone, development cost levies generated $78.8 million, plus another $68 million for community amenity contributions, which are generally assessed when land is up-zoned and hence made more valuable. This adds up to well over 10 per cent of the city's annual operating

Paul Sullivan, a technical co-chair of the Vancouver Fair Tax Coalition, notes that - if city hall's spending were held to the combined rate of inflation plus population growth and if citizens were ever asked what they preferred - this much money could, among other things, allow everybody's tax bills to go down.

But don't hold your breath. City hall shows little inclination to rein itself in. And most citizens - perhaps because their pocket books are shielded from the full and direct affects of ever-higher city spending - don't seem to be paying much attention.

dcayo@vancouversun.com

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