IPTI Xtracts

Property Tax and Assessment News from Around the World

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BRITISH COLUMBIA - What can we learn from Vancouver's property tax experiment?

After a huge run-up in prices, Vancouver's average property prices fell 3.7 percent in the latter half of 2016.

While each market is unique, offshore investors and the banks that lend to them can draw some lessons from Vancouver's experiment.

Following concerns about the lack of affordability in the metro Vancouver property market, the provincial government has imposed a 15 percent tax on foreign buyers.

The Vancouver real estate market has long been a darling of wealthy foreign investors — particularly those from Greater China — and has been among the most unaffordable in the world.

In 2016 UBS put Vancouver at the top of its Global Real Estate Bubble Index, above London, Hong Kong, and Sydney.

As a result of the recent property tax, prices in metro Vancouver have declined roughly 3.7 percent from mid-2016 and volume was down 40 percent overall compared to the same period in 2015, according to the Canadian Real Estate Association.

In contrast, other Canadian property markets such as Toronto and the nearby city of Victoria, which previously had tracked closely with the Vancouver market but were not covered by the tax, saw no change.

With other governments eyeing similar drastic measures to cool their own overheated property markets, what lessons can be learned?

Scope makes a difference

Other cities have tried to curb price inflation by imposing large taxes but have failed to move prices in the same way.

For example, Hong Kong imposed a 15 percent stamp duty on non-first home buyer residents in the secondary market, but that simply moved demand into the primary (new-build) market, where prices have soared.

Meanwhile volumes in the secondary market have only declined. In contrast the tax imposed by the government of British Columbia encompassed any and all residential property sales, and so affected prices across the board.

The Vancouver tax also affected a large proportion of the market, initially including all foreign nationals except permanent residents.

This was unusually extensive in scope and affected even those foreigners living and working legally in British Columbia, such as those on TN visas or other temporary work permits.

As a means of comparison, in Australia this would have affected the large 457 visa population and other longer-term visas. Statistics from the British Columbia government showed that foreign buyers accounted for 13.2 percent of purchasers before the tax, and this fell to 1.3 percent post-tax.

The tax has since been narrowed to exclude those foreign nationals in BC with valid work permits and who pay tax in the province.

Similar restrictions introduced or increased in the Australian states of Queensland, New South Wales, and Victoria that apply just to offshore investors, not resident foreigners, are therefore not likely to have the same impact as their scope is much smaller.

However, a change to the negative gearing laws in Australia reducing the use of this tax benefit would affect roughly 60 percent of investment properties, which themselves account for around 35 percent of outstanding Australian residential mortgages.

Something that affects the investment calculations of over 20 percent of buyers would definitely lower prices.

Only when governments or regulators are motivated enough to enact such large and sweeping changes to tax and affordability for a large proportion of buyers – likely over 10 percent of the market – will the investment calculus be sufficiently altered so as to truly affect property prices.

And that doesn't seem to be the case in most of Asia, Australia, or New Zealand.

ONTARIO - A close look at property taxes shows why Toronto council is slow to raise rates

Residents pay among the lowest rates in the GTA. But that is only one part of the story.

Property taxes are a great bargain in almost all area municipalities — considering what we get in return. And no matter how you look at it, the Toronto homeowner has it pretty good.

But a careful look at this year's budget documents shows Torontonians are not making off like tax bandits. There are reasons for the low property-tax bill. Some unique Toronto costs are not included. The average doesn't account for hundreds of thousands who are tax-challenged. And when your taxes are based on the real estate market, it is not unusual for some to be house rich and cash poor.

All that said, there is room to increase the property tax burden in a city where residents demand high-service standards and city councillors are loath to cut programs.

The average Toronto homeowner had the lowest property tax bill ($3,077) when compared to 25 other jurisdictions in the GTA and Ottawa and Hamilton last year. But the Toronto tax bill does not include water and garbage disposal; plus, Torontonians pay an added land transfer tax.

Taken together (property tax, water, waste and land transfer tax), Toronto's tax bill falls to second lowest at $4,278. Only Milton's is lower at $3,967. Mississauga is not far away at $4,322, while Vaughan is sixth highest at $5,450 and King Township is king at $7,170.

Of course, user fees for parks and recreation, parking, permits and transit add to the "taxes" and vary widely across cities, but the bulk of the tax haul, all in, shows Toronto in an enviable position.

We are talking taxes on average. The actual tax bill is much larger for a large number of people. And the Toronto average is pushed lower by the large number of condo dwellers and their lower assessments.

The tax rate is what generates the tax amount. And Toronto shines here — with the lowest tax rate (.69 per cent compared to 1.56 per cent in last place Oshawa) for several reasons. The city has a large tax base over which to spread the burden. And, historically, the large commercial towers downtown carried a disproportionate percentage of the tax burden, thus shielding residents.

Note that municipalities around Toronto — in an effort to attract business away from the core, loaded on a greater percentage of taxes on their homeowners and shielded businesses. That partially explains why Mississauga's rate for homeowners is .87 per cent, Brampton's 1.1 per cent and Vaughan's .82 per cent.

Toronto is on a multi-decade mission to recalibrate the burden so that homeowners carry more and business carry less. That means if the city now levies a 3 per cent tax hike on residents, the amount on business is capped at 1 per cent.

A sidebar on Oshawa: Its highest tax rate demonstrates the fact it does not have the businesses, tax assessment and commercial clout to spread the tax burden. As such, you might expect Oshawa taxes to be among the highest. But no, it was 11th among the 25 municipalities last year at $4,650 all in. Either the council has found a way to squeeze a dollar better than anyone else or service levels are below their neighbours'.

Stung by criticisms that its taxes are too low, Toronto's councillors requested city staff provide other data showing how real estate values skew the city's tax burden. Most people agree that property taxes are not progressive. They do not reflect a person's ability to pay. Income tax does and municipalities have asked for income tax to replace property taxes, but to no avail.

So finance staff figures show the average Toronto home has a household income of $98,033 — just five spots from the bottom among the 25 municipalities. King tops out at $192,369; Oshawa has the lowest household income at $85,762. So, despite the high real estate values, the average Toronto homeowner doesn't have the large income of their neighbours.

But when property taxes are measured as a percentage of household income, Brampton comes out worst at 4.6 per cent, with Oshawa second-worst at 4.5 per cent. Toronto? Below the average 3.4 per cent — another plus — exceeded only by Milton, Oakville, Halton Hills and Burlington.

Some Toronto councillors have never accepted the fact that property taxes are based on the market value of a property. Downtown properties are higher valued and so pay comparatively higher taxes, even if the home does not consume more services, they argue. So, CFO Rob Rossini included some slides in this year's budget presentation to show the tax impact on different Toronto neighbourhoods.

They show taxes on a detached three-bedroom bungalow with one and a half baths and a one-car garage. Such a property in Toronto's east end out to Scarborough was still the lowest at $2,728, compared to Pickering at $4,737 for a similar property. In the west end, the taxes were higher at $3,503 (Mississauga was $4,277.) In North York, it was higher still at $4,017, more than Brampton and 19 of the 28 municipal regions compared.

And finally, in downtown, the taxes came in at $4,903 — second highest, next to Markham.

A similar study of taxes on a two-storey, three-bedroom home with a two-car garage and two and a half baths shows similar results. The Toronto east-end property still has the lowest taxes in the entire region and a downtown property, if you can find the typical suburban home downtown, with the highest taxes.

The detailed examination of all sides of the tax debate doesn't change the fact that Toronto property taxes are lower than what's levied in the region. But it adds layers to the annual debate and probably explains why city council is slow to jack up rates.

There are people out there — up in North Bay or down in Sarnia or out Kingston way — who think Ontario is subsidizing Toronto. Actually, the opposite is the truth.

They resent announcements of $100 million for the Toronto Transit Commission when their local bus system gets $1 million. But that's how it should be, considering the TTC carries 200, 300, 400 times the number of passengers.

They buy into the culture of anti-Toronto resentment that may be cathartic but economically destructive to the province, for if Toronto is lagging, Ontario drags.

The resentment bubbles vigorously to the surface at budget time. Usually, Toronto trundles up to Queen's Park with the perennial ask for more cash. It seems the city has an insatiable appetite. The budget dance grows tiresome. Ontarians look at the city's average property tax bill and sees red. "You are not paying your fair share. Raise taxes on your citizens before you hold a hand out to the province."

If only it were that simple.

Even if city council were to double property taxes on Toronto residents, this fact remains: the province has robbed Toronto taxpayers of billions of dollars by dumping the costs of social services and housing onto local taxpayers. Social housing cost, which is universally considered the responsibility of provincial and federal governments, rests heavily on the city's ledger.

Queen's Park should be paying for the Don Valley Parkway and the Gardiner — just like it does for Highway 410 or 427.

And there is a reasonable claim that all Ontarians should pay for more of the operating costs of the TTC. Instead, the TTC must cover more than 70 per cent of its costs through the fare box — a percentage unheard of in world-scale public transit systems. And the rest comes from Toronto property owners.

Housing, social services and transit are three of the crippling responsibilities that burden the big city. Toronto accepts more than its share of the province's poor, disabled, homeless, transit-dependent and citizens who are dependent on the social safety net. When city politicians run up to Queen's Park and ask the province to pick up provincial responsibilities, it is particularly hurtful to hear the rest of the province pile on instead of saying, thank you.

No one expects that dynamic to change. What complicates the discussion is the fact everyone has an opinion on how much taxes Torontonians pay. We read the real estate section and see the property taxes paid on a million-dollar home and are galled.

It is a little more complicated than that

BC government forecasts $483 million property tax revenue decline in 2017/2018 as housing market slows

The BC government expects the province's housing market will cool off this year and into 2018, as tighter mortgage rules and an eventual increase in interest rates impact sales.

Accompanying this slowdown, the provincial government predicts tax revenue generated through housing market activity will take a hit. In 2017 and 2018, it forecasts a decline of $483 million in property tax revenue — a 23.9 per cent drop, according to its three year Budget and Fiscal Plan published on Tuesday. The government also predicts revenue will return to 2015 and 2016 levels with an average 3.9 per cent annual decline over the next two years.

However, with the addition of a new foreign-buyer tax in Metro Vancouver implemented last August, the government forecasts it will generate $100 million in revenue over 2016 and 2017 and $150 million each year for the following three years. Since the tax was introduced, foreign buyers were involved with 3 per cent of residential real estate deals in October 2016 and 4.1 per cent in November 2016, compared to just over 13 per cent from June to August 2016.

The government's 2017 budget, released Tuesday, also addressed housing affordability in the province, especially in Metro Vancouver, the country's hottest housing market. The government says the rapid increase in home and rental prices were affected by increased demand, a limited supply of units and low rental vacancy rates.

"We can't just focus on getting more people into the market. On its own, without adding to the supply, that's just going to drive prices higher. And it won't help those who by choice or necessity are seeking rental housing," says BC Finance Minister Mike de Jong.

In his budget speech on Tuesday, de Jong outlined details related to the government's commitment to providing affordable housing, pointing to the $920 million allocated last year to help create almost 5,300 new affordable units across BC. He also noted that the government initiated the BC HOME Partnership program in January, which over the next three years is expected to help over 42,000 first-time homebuyers enter the market with more than $700 million in repayable down payment assistance.

First-time homebuyers can also expect to pay less in property transfer taxes. De Jong announced the threshold for the first-time homebuyers program will be increased from $475,000 to $500,000, saving new buyers up to $8,000 on property transfer taxes.

In order to improve housing affordability, the BC government says the key is to create new housing supply. Over the next year, the provincial government plans on working with local governments to speed up the process of housing applications, approvals and permits for housing developments.

ONTARIO - Toronto city council approves 2 per cent residential property tax hike

City council has voted in favour of a two per cent residential property tax hike that will cost the average homeowner about $96 more per year once a number of other levies are factored in.

The increase, which is roughly in line with the rate of inflation, was approved following an exhaustive debate at city hall Wednesday afternoon.

In the end, council voted 35-8 in favour of the Mayor Tory-backed two per cent increase.

A separate motion from Coun. Gord Perks to raise property taxes by 4.26 per cent was defeated 32-10.

Another motion from Giorgio Mammoliti to freeze property taxes in 2017 was also defeated 40-2.

The approved property tax hike amounts to an extra $69 a year on a property with an assessed value of $587,471, however that number rises to $96 when you factor in a number of levies, including a 0.5 per cent levy to pay for the Scarborough subway extension and a 0.5 per cent levy to pay for Tory's so-called "City Building Fund," which will be put towards transit and housing.

In a news release sent out following the vote, Tory said the approved increase is one that "council can be proud of."

“I was elected on a mandate to keep property tax increases at or below the rate of inflation and I will keep that promise. As much as some will say they want to pay more, the majority of Torontonians voted for candidates who called for strict discipline on property tax hikes,” Tory wrote. “This tax rate has been attacked by those on the political left and those at the fringes of council's right. That tells me it's just right – it is a moderate tax rate that moves this city not left, not right but forward.”

Toronto has the lowest property tax rate in the GTA and in recent weeks a number of councillors had pushed for a higher increase that would have allowed the city to pump more money into social programs.
Mammoliti, meanwhile, said the two per cent increase was too high and was an example of Tory “taking the easy way out” rather than taming the city’s ballooning budget.

Speaking with CP24 earlier in the day, the outspoken councillor said that Toronto needs to have discussions with the province about taking over the operation of the TTC and the Gardiner Expressway, among other things.

"The resistance is that nobody wants to do the hard work," he said. "This is the easy way out, just to tax everybody."

Toronto's residential tax rate in 2016 was 0.0070. In comparison, the rate in Mississauga was 0.0087 and in Whitby it was 0.01294.

“We are trying to provide a very fair, affordable and balanced budget to the residents of the city and I think that is what you are seeing here,” Budget Chief Gary Crawford told CP24 earlier on Wednesday. “We are looking at key priorities like increasing childcare, increasing student nutrition and poverty reduction but we also have to be incredibly fiscally responsible with the money and be accountable to the residents with how we are spending it.”

Council needs to trim millions from budget

At today’s meeting, councillors heard presentations from staff on the $12.3 billion operating budget and the $39.7 billion, 10-year capital budget.

City council also began the process of finding a way to trim between $8-million and $10-million in spending from the operating budget in order to balance it. That number is significantly lower than the $731-million deficit that existed at the outset of the budget process and the $91-million shortfall that existed as recently as last month.

Speaking with CP24 during a break in the meeting, Deputy Mayor Denzil Minnan-Wong said he believes the budget is “fair and reasonable” despite calls from some to introduce a property tax increase over and above the rate of inflation.

“Some of these councillors on the left believe taxing is a virtue and they would like to raise the tax rate much higher. I disagree with that,” Minnan-Wong said.

Council is expected to finalize the budgets on Thursday as they wrap up a two-day meeting at city hall.

ONTARIO - Toronto pays more than its ‘fair share’

A popular argument across Ontario is that residents of Toronto don’t pay their fair share of taxes, based on the fact the city has a lower property tax rate than surrounding communities.

Some people outside Toronto have contacted me to say if Toronto residents paid more in property tax, the city would not need so much money from the province, which would be better for everyone.

Indeed, there are many people who love to insist that “other” people do not pay their “fair share”.

It is always these “other” people they believe need to pay more.

In the real world, few of us ever say: “You know, upon review, I am just not being taxed enough.”

If someone does ever say that to you, ask them if they have taken advantage of the opportunity afforded to them to send extra money to the treasury of one or more of the three levels of government — municipal, provincial and federal — to which we all pay taxes.

In fact few people volunteer to pay more.

Toronto itself, for example, offers taxpayers this opportunity and the Toronto Sun reported that in 2013, “218 voluntary donations added up to $19,951”.

But what we can say about Toronto taxpayers is that they pay more in provincial and federal taxes than they get back in provincial and federal services.

Studies on this issue are not regularly done, so the numbers I have are not up to date.

But I am told by a reliable source at City Hall that the situation has not changed significantly since the study I quote from below was done.

It was by University of Calgary economics professor Ronald Kneebone, in a paper published by the C.D. Howe Institute, reported in 2007 by the Globe and Mail.

People seem to have forgotten it.

It said that, “based on averages between 1986 and 2002, Torontonians each paid $1,717 more in taxes every year than they received back in provincial and federal programs and services.”

That means Toronto residents are already paying more than their “fair share.”

In fact, Toronto is contributing more tax money than it takes back in services, so it is either uninformed or greedy to suggest Torontonians should pay even more.

The second widely held belief is if property taxes were raised in Toronto it would mean the province would have more money.

But that money would not go to the province, since property tax stays in the city.

Whether Toronto should charge property taxpayers a higher tax rate for city services is a fair topic for discussion.

But even if it did, it would not benefit Oshawa or North Bay. It would just mean people in Toronto would pay more in property taxes.

The only way the rest of the province would benefit would be if property taxes were raised in Toronto and the province simultaneously reduced its contributions to the city by the same amount.

But how would that be “fair” since Torontonians already pay more in provincial taxes than they get back in provincial services?

The fact is that provincial services in the rest of the province are funded in part by the massive amount of money flowing to Queen’s Park from Toronto.

Instead of pointing the bony finger of blame at someone else, we should all cooperate in demanding politicians stop misspending so much of the huge amounts of money all of us already give them.

ONTARIO - Victoria College pays no property taxes on pricey Bloor land

As Toronto council fights over every dollar in the city budget, valuable land goes untaxed thanks to 1951 legislation.

The owner of top-dollar land under a swanky Yorkville mall pays zero property taxes to the city — a multimillion-dollar anomaly that infuriated councillors fighting over “scraps” to fund vital services.

Victoria University, a federated college of the University of Toronto, owns 131 Bloor St. W. in the heart of the posh “Mink Mile” shopping strip. Revenue Properties leases the land and owns The Colonnade — 71,156 square feet of apartments plus luxury shops, including Cartier, Chanel and Escada — atop it.

The 1951 Victoria University Act exempts all the college’s land but not commercial buildings. The U of T enjoys the same exemption but voluntarily pays the city about $240,000 a year in lieu of taxes for a few small commercial properties.

City staff estimate the Victoria exemption cost taxpayers $12.2 million between 2009 and 2015.

“This (tax-exempt) designation was meant for property used for education — not to have a profit centre,” said Kristyn Wong-Tam, the local councillor.

“Now is the time to come up with a resolution, otherwise we’ll push forward with asking the province to change the Act to force Victoria College to start paying its fair share to the city like other commercial property owners.”

Councillor Joe Cressy, whose ward includes much of U of T, took a break from city budget deliberations Wednesday to say it’s infuriating that months of negotiations to remedy the situation have so far failed.

“If you’re using your land for commercial purposes, you should be paying commercial taxes,” he said.

“We’re debating whether to spend $85,000 to save school swim programs, whether we’re going to spend $265,000 to do much-needed newcomer settlement support, whether we’re going to spend $1 million to not cut staff in the shelter budget — this is (property tax) money that would be well spent and well used to take care of our city.”

William Robins, president of Victoria College, refused an interview request but his office provided an email.

“Ontario deliberately created this policy, which encouraged the redevelopment of the south side of Bloor Street W. in a neighbourhood that was struggling at the time,” he wrote, adding buildings on Victoria land have provided the city with “millions” of dollars in tax revenues over the decades.

“Such development would also provide an income stream for post-secondary education and a new revenue stream for the City of Toronto,” and all lease income is used to fund the college’s “core educational mission, such as academic programming and student support.”

“As a university in the public sector, Victoria University holds that the tax treatment of its property should not be changed in a way that would have an adverse effect on students or the university.”

The city’s government management committee will next week debate a staff recommendation authorizing the city treasurer to negotiate with the college but also to ask the Ontario government to amend Victoria University Act, bringing the college in line with other universities that pay commercial taxes on commercial land.

“The financial unfairness to the city and to the other public universities in Toronto from Victoria University’s broad tax exemption is stark and should be fixed,” says a report to councillors who last June voted to put the issue on hold to give the college and city staff time to find a solution.

Robins said his college “is actively co-operating with the city as it conducts its review, and looks forward to continued discussions on this subject.”

Wong-Tam, however, said city staff told her talks have produced “no real progress.”

Councillor Joe Mihevc noted universities are primarily funded by the province. He called the situation “another example of the province absconding its responsibility through various dekes and moves.”

“I’m sympathetic to the funding plight of universities, but at end of day we need them to pay their taxes like everyone else,” he said.

An attachment to the city report is being kept secret because it contains legal advice.

A spokeswoman for Deb Matthews, Ontario's minister of advanced education, said she would have a response to the city's concerns Thursday.

NOVA SCOTIA - Property owners' group wants tax cap program to include apartment buildings

Investment property assessments are increasing 5 to 15% annually, owners group says

A group of Nova Scotia investment property owners wants some relief from rising tax assessments.

A cap on tax assessments has been place in the province since 2005 to prevent sharp spikes in individual tax bills. It's based on the Nova Scotia Consumer Price Index.

This year assessment increases are limited to 1.4 per cent.

But the cap only applies to single-family homes, condominiums and trailers. It does not apply to the apartment sector.

Peter Polley, vice-president of the Investment Property Owners Association of Nova Scotia (IPOANS), says assessments for apartment buildings have been increasing between five and 15 per cent every year. That limits the amount of maintenance that can be done and contributes to rent increases, he said.

"It's the old, the poor, the students that are paying a disproportionate share of property taxes because the apartment sector is not covered by the cap program," he said.

The Union of Nova Scotia Municipalities has been lobbying to eliminate the cap assessment program altogether because municipal officials believe it distorts the market value picture.

The UNSM commissioned a study of the issue in 2014.

Polley does not want to get involved in the elimination issue.

"Now that it's been in place for so long, the province has dug itself into a hole that is hard to get out of," he said. "But for the period of time there is a cap, in order to be fair, it should be extended to all residential types of dwellings."

IPONS has talked to the Municipal Affairs minister about including the apartment sector. The province says Halifax would have to agree before any changes could be made.

"In the interest of housing affordability, we ask that HRM work with the apartment sector and Municipal Affairs over the upcoming year."

Polley addressed regional council Wednesday. Mayor Mike Savage said he will ask city staff to look into his request.

BRITISH COLUMBIA - Tofino wants to tax vacation rentals at commercial rates

Tofino is taking its war on vacation rentals province-wide.

The district plans to lobby for a change in provincial legislation that would see residential properties, that are operating as tourist accommodations, pay commercial taxes rather than residential.

"When the legislation was written, no one ever contemplated that there would be so many short term rentals in some towns," mayor Josie Osborne told the Westerly News.

"The intention here is not to capture the person who rents from time to time. The intention is much more for those people who really are running a business. If you have a house with a cottage and you are short term rentaling the cottage 365 days of the year, in some people's view, that is running a business so it should play by the same rules as all other businesses and most businesses are taking place on commercially taxed properties."

She explained the idea has a long way to go towards becoming reality.

Tofino must first present it to the Association of Vancouver Island Communities Convention in April. If approved by the AVICC's membership, it would be put on the Union of B.C. Municipalities Convention agenda in September and, if approved by the UBCM, sent to the provincial government's desk for review.

"This would be a province wide change. This would not be just Tofino, or just the Island. When you're changing legislation for the B.C. Assessment Authority, that's the entire province," Osborne said. "It will take years and the province would have to change legislation. But, it's an important question to ask and, I think, the province will be interested in the conversation."

In order to put her motion forward to the AVICC, Osborne needed support from her Tofino council, which she received unanimously during Jan. 30's Committee of the Whole meeting.

"Over the last few years, many of you here around this table have expressed frustration with our inability to address some of the impacts of tourism accommodations, especially on residential properties," Osborne said during her pitch.

"We're addressing short term rentals in many ways, shapes and forms, and this is another tool that we could consider, or that the province could consider, to address what, I think, some people perceive to be the tax inequities between people who are operating businesses out of private homes and hotels and motels and people who are not doing that."

Coun. Duncan McMaster said he was "fully supportive" of the idea, but questioned how impactful the motion would be, even if it received support from the AVICC and UBCM.

Tofino local and Tourism Tofino chair J.J. Belanger spoke at the meeting and said the initiative Osborne was proposing has a "huge groundswell of support" among various tourism-related boards.

"I think mayor Osborne is on track to getting in a long line of people that are lining up for this to be amended," he said.

He suggested Tofino's roughly 116 vacation rental properties have a big impact on the community.

"That's basically twice the size of any resort that we currently have in Tofino," he said. "That's where your tourism issues are coming from and that's what a lot of communities are having problems with; not only ours."

Osborne agreed.

"Short term rentals are the largest hotel in Tofino," she said.

"We've enabled that and we've done so willingly. We've created the conditions for people to be able to do that and to be able to subsidize their mortgages and help them with their cost of living. But, the flip-side of that is, it brings more visitors to town, which we like, but those visitors come with impacts: parking, garbage and recycling, bylaw enforcement, fire protection and all kinds of things and I've heard so many times at this council table about, 'How do we recover some of those costs?'"

Osborne suggested Tofino's bed and breakfasts would not be affected and that the target would be vacation rentals on residentially zoned land.

"This is more directed to whole-home rentals," she said.

"In our case in Tofino, we have six residential zones where, if you have two dwellings, you are permitted to vacation rental one of them. Some people have chosen to do that, they have a licence, but that entire use is used as, what I would maintain is, a commercial enterprise."

She said that, while the split-classification could be seen by some property owners as punitive, it was an important step towards funding the necessary remedies associated with handling Tofino's tourist season.

"Obviously it's a contentious issue," she said. "You talk about assessment values and the impacts it has on taxes and it hits home. It's not an easy discussion to have but I do think it's an important one to have."

Coun. Greg Blanchette wondered if the reclassification's intent was purely revenue related.

"Just to clarify, is the thrust of this motion more revenue, basically, i.e. getting higher assessments would lead to higher tax revenues which we can then apply to the impacts that these are causing," he asked.

Osborne responded that, in Tofino's case, it would increase the district's revenue because local businesses are taxed roughly 2.86 times more per $1,000 of assessed value than residential properties.

"More important to me is that, if B.C. Assessment did this, it would give municipalities another tool to look at their tax rates and adjust," she said.

Blanchette suggested the move could receive negative reviews from locals and asked if public input would be part of the process.

Osborne replied the, likely years-long, process needs to start somehow.

"You're absolutely right; certain residents, especially those who are affected, may feel that this is unfair and, I think, that this is a bigger conversation we're starting to have at large anyhow: how do we treat everybody as fairly as we can and have people understand what the costs of dealing with the impacts of our tourism economy are?" she said.

"I'm all game for more consultation and engagement, although, I guess at some point, I would say we're the people that the community's elected to sit at the table and sometimes we have to push a little bit."

McMaster noted the deadline to file motions to the AVICC is Feb. 25, leaving council with little time to collect public input beforehand.

Osborne suggested sending the motion to AVICC and talking to the community after it's sent.

Coun. Ray Thorogood agreed.

"If we approve of it, let's approve it. Whether or not it passes at the AVICC is a different story," he said.

District CAO Bob MacPherson said changing provincial legislation would not be an easy, or fast, task.

"In terms of timing, I would concur with what's been said. This would take years," he said.

"The fact that we're not going to get out to the community in the next 21 days, I wouldn't panic about. The province will have it's own engagement, if they're remotely interested in this."

Council was expected to endorse the motion and send it to the AVICC during Feb. 7's regular meeting.

Osborne noted commercial properties successfully lobbied for a change to their assessments several years ago, arguing that the staff accommodation portion of their operations should be taxed residentially.

"They were paying commercial property taxes on residences. They felt that was unfair. They asked B.C. Assessment to reclassify and B.C. Assessment did," she said adding it's worth exploring whether that reclassification should work in the other direction as well.

"If we take a residence and turn it into a commercial tourism accommodation, should we then expect them to pay the same taxes that a hotel or motel or guesthouse does?"

BRITISH COLUMBIA - Less than two per cent of B.C. homeowners appealed assessments

Few B.C. homeowners have appealed their property assessments, according to statistics released by B.C. Assessment.

For 2017, 27,887 property assessments were appealed, which translates to about 1.38 per cent of the approximately 2.01 million properties on the assessment roll.

Appeals had to be filed by Jan. 31. Typically, fewer than two per cent appeal. Numbers specific to Vancouver and other regions won't be finalized and released until the end of March. In late January, Jason Grant, the acting vice president of assessment, told the Courier that inquiries to B.C. Assessment about 2017 assessments were trending down about seven per cent from the previous year.

This year's appeal rate is consistent with past years:

In 2016, 23,354 homeowners appealed or 1.2 per cent.
In 2015, 22,296 homeowners appealed or 1.1 per cent.
In 2014, 17,874 homeowners appealed or 0.91 per cent.
In 2013, 23,847 homeowners appealed or 1.2 per cent.
In 2012, 23,438 homeowners appealed or 1.2 per cent.

Some Vancouver property owners saw their assessments climb by 40 per cent this year. Numbers in the 2017 assessment roll reflect assessed values as of July 1, 2016, when the market was at a peak.

Examples of individual assessments that B.C. Assessment released in early January, revealed the assessed value of a single-family 33-foot East Side lot went from $947,300 to $1,338,900, while a West Side lot of the same size went from $1.94 million to $2.74 million.

Meanwhile, the value of an East Side high-rise strata went from 405,000 to $486,000 — a 20 per cent increase, while a West Side low-rise strate went from $662,000 to $827,000 — a 25 per cent increase.

Hearings for those who have appealed their assessments are held between Feb. 1 and March 15.

BRITISH COLUMBIA - BCGEU welcomes provincial interest in land value capture tax, seeks input in development

Land Value Capture, a mechanism that taxes development speculation along proposed transit routes and puts those dollars into transit development is a solution the BC Government and Service Employees' Union (BCGEU) has been advocating for since 2015 to address the Lower Mainland's transit crisis. Now, BC TransLink Minister Peter Fassbender is proposing a provincial development tax which the BCGEU welcomes.
However, the union would look forward to engaging with TransLink on the development of the tax to contribute its expertise on the mechanism, as well as to provide input on issues that affect union members such as having a broad transit system and protecting affordable housing.

The BCGEU was critical of the Metro Vancouver sales tax proposed as a transit funding option during the 2015 transit referendum. The union perceived the tax as a wealth transfer from working people to real estate developers and instead put forward Land Value Capture as an alternative solution. "We believe that existing transit projects are used as a subsidy for real estate speculators, and we want to see that value put back into developing a broad transit system," said BCGEU Treasurer Paul Finch. "If done right, housing affordability is not negatively impacted, consumers aren't overcharged for everyday items, businesses aren't subjected to more downward pressure on their sales, and municipal governments don't lose revenue."

The BCGEU represents over 73,000 workers, many of whom rely on public transit, and some of whom work on the Canada Line. Through Land Value Capture, funding is made available for transit improvements that reduce congestion, create more housing options along transit routes, and ensure environmental sustainability, all without placing a regressive sales tax burden on British Columbians.

BRITISH COLUMBIA - Property tax deferrals skyrocketed 67 per cent last year

There's growing concern that a program that allows homeowners to put off paying their property taxes causing more harm than good.

There was a massive jump in the number of people taking advantage of B.C.'s property tax deferrals in 2016, but experts warn the program might be doing more harm than good.

Nearly 10,000 homeowners opted to delay making their tax payment last year, an increase of 67 per cent over 2015.

The program was designed to let seniors stay in their homes longer, accumulating taxes in the form of a low-interest loan until the properties are sold, but real estate experts argue the loose rules are benefiting some who don't need the help.

"Thousands of people who can afford to pay their property tax are taking advantage of it because it's not means tested, and it should be," consultant Michael Geller said.

That's because the interest rate for anyone over the age of 55 is just 0.7 per cent. That's too good to pass up for people like Geller, who defers thousands of dollars a year and invests the money instead.

"I think next year many more people will take advantage of it. They are fools not to from a financial point of view," he said.

Seniors staying in their large houses longer also means less supply and higher prices for families desperate to find a place to live, Geller added.

He believes the government should be encouraging seniors to downsize rather than trying to keep them where they are.

Younger families with children can also defer their property taxes, but the interest rate is higher, at 2.7 per cent.

But if anyone should be getting a preferential rate, it's them, according to researcher Paul Kershaw of Generation Squeeze.

"If we're going to have more generous interest rates, it needs to be for younger people. They're the ones being especially harmed by high house prices," Kershaw said.

The B.C. government said it has no plans to change the program, which it is promoting, along with its down-payment loans, in ads leading into the May election.

ONTARIO - Nobody likes property taxes, but Toronto turns hating them into an art form

Why does Toronto hate raising property taxes so much? This might seem like a question with an obvious answer: few elected officials make it their job to defend taxes, and even fewer are willing to risk an explicit defence of actually raising them. But even given that political truism, Toronto is notable for its recalcitrance. As the city gears up for this year's budget debate it’s worth unpacking why, and why it matters.

First of all, Toronto really is an outlier in the GTA. For all of Mayor John Tory’s term in office, and all of predecessor Rob Ford’s, Toronto’s residential property taxes have generally gone up at the rate of inflation. (Ford tacked on an extra levy for the Scarborough subway extension, and Tory added one for new infrastructure spending, but those were somewhat offset by the 2011 budget year, for which Ford froze property taxes altogether.)

While Toronto's been phobic about raising taxes, other cities in the GTA have had to make different choices. Even accounting for the city's land transfer tax (which only Toronto has permission from Queen's Park to levy), Toronto is still at or near the bottom of the pack in terms of overall property taxation, by pretty much any measure. In 2016, the city's chief administrator estimated that using the broadest assessment (including land transfer taxes and garbage fees) the average Toronto property owner paid $3,588 in taxes, compared with $4,782 in Richmond Hill, $4,348 in Brampton, and $3,880 in Mississauga. Only three of the GTA's 25 municipalities came in lower than Toronto: Milton, Georgina, and Burlington.

Toronto's obsession with the inflation rate is a problem, because the city's growing population has infrastructure and service needs that don't perfectly correspond with the official consumer price index. For example, the city, through the TTC, is an enormous consumer of electricity and diesel and is far more sensitive to fluctuations in those prices than the average household. Toronto is also growing and wants to build ambitious and expensive new projects (a new subway line, a massive downtown park) and has huge unfunded infrastructure deficits (in transit and housing, especially) — none of which are addressed by keeping tax rates at inflation. In short, the cost of living isn't the city's cost of doing business.

How did this fixation with sticking at or below inflation develop? First of all, there is some historical context framing the issue in Toronto. Mel Lastman defeated Barbara Hall in the first mayoral election in the amalgamated city in 1997 by promising to freeze taxes over the entirety of his first term. Running on the slogan "Mel Makes It Work," Lastman promised the efficiencies from amalgamation would make it possible to keep taxes low. The claim was contentious even at the time — projections of a savings bonanza never really materialized — but Lastman won, then won again in 2000.

His second term did see some tax increases, in part to release some of the budget pressure that had built up in the early years. But a precedent had been set, and it was entrenched by the councils that followed him. Under David Miller, property taxes went up more than they did under Lastman, and faster than inflation, but still not by much: the all-time high was 4 per cent in 2009; most years under Miller it was 3 per cent or less. That precedent was reaffirmed under the tax-hating Ford, and has so far been maintained by Tory.

There are also structural reasons that Toronto has been more tight-fisted than its neighbours. One is the concentration of rental apartments, which make up a larger share of housing in Toronto than elsewhere, and are also taxed more heavily than other homes. This is dubious economics and dubious social policy: tenants are more likely to have lower incomes, but they are also less likely to vote in municipal elections, which can entice politicians to shift tax burdens to groups that are less likely to punish them come election day.

Another is that even before the advent of the land transfer tax, the city had options others didn't. Toronto's office cluster has, since the 1970s, tempted successive councils looking to generate revenue without leaning on residential voters. That's how the city ended up, by the time of amalgamation, taxing commercial office space at a rate four times higher than residential properties. (Provincial and city policies have since nudged that down to "only" three times higher.)

But political expedience doesn't always make for good economic planning. "I've looked at property taxes in 25 different countries and everyone does it," says Enid Slack, director of the Institute on Municipal Finance and Government at the University of Toronto. "There isn't an economic justification for it. Commercial properties use fewer services than residents, and businesses are more mobile than residents. If you were looking at it from economics, you'd tax commercial properties less."

Nevertheless, cities around the world, including Toronto, have been unable to resist the urge to use their commercial cores as a way of keeping residential property taxes low. Part of the reason Toronto politicians have been so reluctant to raise property taxes, in other words, is because they have been able to get away with it for a while, given these other revenue streams. If Brampton or Mississauga or Markham had the kind of concentrated taxable property wealth (and policy favour from Queen's Park) that Toronto has, maybe their councils would stay closer to the rate of inflation too.

But it's only part of the reason. The rest has to do with different perceptions of municipal politics within the region: Toronto is also distinct in that its residents seem to have a grimmer view of the services the city provides than people elsewhere in the GTA.

Rob Ford came to power on a tide of anti-government sentiment, fueled in part by Toronto-only events, like the lengthy city workers strike in 2009. John Matheson, who worked in municipal affairs under the Harris Tories and now does municipal policy consulting for StrategyCorp, says one thing amplifying Toronto's natural tight-fistedness in recent years has been Ford's legacy as both a campaigner and mayor. (Matheson, for the record, worked for one of Ford's competitors in 2010.) "What [Ford] did was sell more doubt than he did hope … You have more people than ever believing that the city government was broken, but don't believe anything can be done to fix it," says Matheson. "It makes it hard to motivate people around this grand cause to build the stuff we need."

Matheson and Slack both note that while suburban councils find the way to raise taxes, they also frequently get high marks from their voters on service quality. This is a pattern that predates Ford, and even the amalgamated Toronto: when Mel Lastman ran for mayor of Toronto it was on the basis of his experience as mayor of North York, and his reputation rested in part on the generally high level of city services there — most visibly, twice-weekly garbage collection.

And all this Toronto exceptionalism still leaves the city trying to avoid the political pain of raising property taxes. The things the city needs are increasingly urgent. Between the TTC and Toronto Community Housing alone the city has more than $6 billion in unfunded planned construction — and that's just part of the overall backlog, which also includes major projects like remediating the city's derelict Port Lands to ready it for development.

In the absence of property tax increases that dare to go higher than the rate of inflation (and following Kathleen Wynne nixing his road tolls proposal), Tory needs to find other sources of revenue, and quickly. City staff ruled out some of those options — like a tax on commercial parking spaces — when tolls were on the table, but may need to revisit them now.

Either that, or he can put his head in the lion's mouth and propose the one thing Toronto's been unwilling to countenance since amalgamation: sustained, substantial increases to the property tax.

ONTARIO - Keeping Toronto 'affordable' will cost us all: Keenan

Property taxes may have been kept low but fees and costs for city services are quickly rising.

Affordable. "Affordable." Politicians keep using that word. I do not think it means what they think it means.

Or at least, I do not understand the word's meaning in the way they are using it. For instance, Toronto's budget chief Gary Crawford recently said that the budget his committee has prepared to present to city council this month is "affordable for the residents of this city."

If you want to discern what Crawford means, you can look around to see the ventriloquist's lips moving from across city hall's second floor: "Keeping Toronto more affordable for hard-working residents" was Mayor John Tory's rallying cry earlier in the budget process, and he used it explicitly to justify what CBC characterized as his vow to "fight against" raising property taxes. This is the mayor's long-standing preferred usage — you can go back to his campaign platform and see that his main slogan promised an "affordable" city and unpacked that promise as meaning: "A more affordable Toronto means keeping taxes low, particularly the city's property taxes."

Well, you might say, fair enough. If property taxes are kept lower, then I have more money, which makes life in general more affordable. But here's the thing that makes this narrow definition of the term stretch to the point of breaking: Tory and Crawford's budgets have fairly consistently and systematically, and sometimes dramatically, raised the prices of all kinds of other things.

Transit, for instance: In 2014, when Tory was elected on a pledge to freeze TTC fares, a monthly pass cost $133.75. Today, after consecutive raises in price, it costs $146.25. This is an increase of just under 10 per cent — an annual increase of $150, for a pass holder. (Tokens prices have gone up 11 per cent in the same time, cash fares up 8.3 per cent.)

Or garbage collection. Since 2014, the owner of an "extra large" garbage bin has seen their garbage rate (after rebates) go up from $217.21 to $420.59. Conservers who use the "small" bin haven't had it much better, as their rate (after rebates) went from $6.72 up to $22.66, an increase of 337 per cent under Mayor Tory.

Buying a house this year? The land transfer tax is being "harmonized" in a way that will see the average home purchaser pay about $750 more than they did last year. Middle-class parent with toddlers in a school-based daycare? The end of a city rent subsidy to school boards means rates are likely to go up about $350 per year per kid. Sending that kid to an introductory gymnastics or arts and crafts program at a community centre? Those program rates are proposed to go up 12.3 per cent. The list could go on for quite a while: user fees are being jacked up in 2017 to about 8 per cent of revenues, from 5 per cent in 2015, an increase of $332 million across the board in those budget years.

All these price hikes and tax increases offered in the name of keeping the city "affordable." Affordable for whom? Not, apparently, many people who use the services the city offers. Not, apparently, for someone looking to buy a home rather than just sitting in the one they bought decades ago. Not, apparently, for anyone riding the bus.

All this at the same time as program and staffing budgets to deliver city services are strangled, in the name of the same goal. For the eleventy-jillionth straight year, the city has launched a Great Waste Hunt, this time in the form of Crawford's "Accountability and Affordability Plan" — there's that word again — to further study cutting costs and finding greater efficiencies.

Crawford and Tory like to repeat that they can't in good conscience raise property taxes to properly fund the city's services until they are confident there's no more waste to be eliminated, and so they hunt and hunt and hunt.

Anyhow, "affordable." Tory had recently finally figured on a kind of user fee — in the form of road tolls on city highways — that might generate big revenue, that he would agree met his threshold. A big part of why this was the case is that the burden of paying it would be shared by those who live in other cities and drive into Toronto every day on our roads and use our infrastructure.

But Kathleen Wynne killed it, for pretty much precisely the same reason. And what did she say while she was explaining its unacceptability? "It has to be that whatever we do is more affordable, not less affordable, for people." The tolls were to fund debt financing for big capital projects, while the gas tax revenue she shared instead is not eligible for that purpose. She did not suggest how one "affordably" generates financing for $33 billion in construction. Or whether the Gardiner Expressway becomes more "affordable" for people when it falls down where it stands, or whether subway lines are more "affordable" when people actually physically cannot board them because they have become too full. Is social housing more "affordable" when we shutter units because they crumble around those who live in them?

No. Those things will have to be paid for some other way. If not with property taxes, at Tory's insistence, and if not with road tolls, per Wynne's orders, then how? Jack up transit fares and community rec centre user fees and garbage rates and permit fees ever higher? Close off services that make the city a pleasure to live in? Make the city even less affordable for the people living here? Isn't that what we say we're trying to avoid?

When Wynne says "affordable," she appears to mean voters in swing ridings in the 905 shouldn't have to pay. When Tory says "affordable" he means low property taxes. In both cases, the word they appear to be looking for is not "affordable" but "politically safe." And as budgets are stretched thinner, services grow less available and more expensive, and infrastructure crumbles, that definition appears less adequate to our needs every passing day.

ONTARIO - Local farmers urged to file request for reconsideration on their farm assessments

A group of over 50 Island farmers met last week to discuss their concerns with the significant increases they face on farmland value assessments through the Municipal Property Assessment Corporation (MPAC) and the need for each individual farmer to put forward a request for reconsideration on their property.

"We have to file these requests, we have to; we have to fight this issue as a group," stated local farmer Ken Noland at a meeting held last Friday in Burpee-Mills. He strongly urged all those in attendance to file a request, which has to be sent to MPAC by February 8.

"I know with the new assessment there has been a major shift in the tax base in our township (Burpee-Mills), from 80 percent residential and 20 percent farmland to what is now 70 percent residential and 30 percent farmland," said Mr. Noland.

"This new rate is fairly consistent across the Island, and what is going to happen is that municipalities will have to raise their millrate (taxes)," stated Mr. Noland. He pointed out his assessment has gone up significantly.

"I bought a farm 12 years ago paying with a barn on the property, but it blew down over 20 years ago, but there was no reduction in the assessment," said Mr. Noland. "That is why you need to check what your farms are assessed at."

"And I think there is very little Class 1 farm land on Manitoulin Island that MPAC says is valued at $3,000 per acre in sales," stated Mr. Noland. "I don't think any farmland on the Island has sold for $3,000 an acre."

Hal Love, of Real Estate Advisory Services based in Tehkummah, told the meeting, "I put together a list of agriculture use properties that have been sold between 2012-2015 on the Island and the highest prices had two houses on the property, 3,600 square feet of cement (barn yard) and other things, and it sold for $2,750 per acre. But most if not all the other properties went for about $800, $1,000, $1,200, $1,400 per acre depending on the improvements that were made on an individual farm. It should be $1,000 (per acre) if it is really good property," said Mr. Love.

"I think everyone should request a reconsideration of their assessment (which is free)," stated Mr. Love. "If enough people fight this issue they (MPAC) will do something about it," said Mr. Love. He explained the Killarney Cottagers Association did this and, "because of the number of complaints MPAC received they decreased their assessment for 2016. They listen when there is a large number of requests and people asking for reconsideration. number and people for reconsideration."

"If sales are getting up to $3,000 (per acre) there is no land on the Island that can produce enough to pay for it," continued Mr. Love.

Mr. Love noted that in the case of the Blue Goose sales of properties on the Island, "some paid too much for the property, around $2,000 (per acre), but most were in the $1,000-$1,200 per acre range."

It was pointed out by Cathy Runnalls that most of the farmland on Manitoulin is classified as Class 3.

Real estate agent Scott McDougall said, "Class 3 farm properties should be going for $1,775 (per acre)." He said in looking back at some recent sales, the top numbers are in the $1,500 per acre range, but most are sold for less than that. He said that in the information he has accumulated the assessments on Manitoulin are higher than average-and what they should be.

"When I see values increase from $125,000 to $210,000 in two years, with no changes made on the property, that is a concern," said one person at the meeting.

"I talked to a lawyer, and if you are not granted reconsideration on your property you can appeal this as a group to the assessment review board," said Mr. Noland. He noted, however, as of January 1, 2017 there is a $300 fee appeal per property. "So the idea is to fight the reconsideration first."

Bill Riach stated, "I've been listening to the same nonsense from them (MPAC) (on assessments) for years."

MPAC answers to the Ministry of Finance, the meeting was told.

Mr. Noland explained that when farmland is taxed at 25 to 30 percent, a municipality has to increase its millrate because the dollars are not there. And when you add on the other type of costs municipalities don't have control over, such as the DSB, policing and the Manor, residential property owners see a slight increase but farmlands see a huge increase.

Mr. Love noted that the Beef Farmers of Ontario are lobbying for agriculture zone properties to be changed from a maximum of 25 percent for 15 percent of value for farm property tax rate, while will be debated and considered at a meeting.

"We all need to appeal the numbers," said Jim Anstice. He said most farmland property will see a 100-125 percent increase with the assessments.

Mr. Anstice said if municipal governments choose not to have agriculture zoned properties reduced for the value for farm property tax rate, "there will be a shift of property tax burden onto farmland property owners. How much of an impact will depend on the increase in farmland values relative to other properties (residential, commercial, industrial)."

Using Burpee and Mills as an example, Mr. Anstice explained farmland assessment values have increased by 38 percent while residential values have decreased by 2.7 percent. Once new assessments are phased in, the increase in farm tax burden is as follows: 2016, 2.7 percent of the tax from farm; for 2017, three percent and increase of $1,605 in farm tax burden; 2018, 3.2 percent and an increase in farm tax burden of $3,201; 2019, 3.5 percent and $4,815; and for 2020, a 3.8 percent tax percentage from farm and an increase of $6,421 in farm tax burden.

"If MPAC doesn't cooperate on the requests for reconsideration then we have to go to plan B and appeal," said one person at the meeting.

BRITISH COLUMBIA - Vancouver wants B.C. government to allow split assessments for small business owners

Mayor Gregor Robertson acknowledged the challenges small businesses face when property taxes skyrocket.

Vancouver Mayor Gregor Robertson answered questions about property assessments and more during a press conference about the city's new small business commercial renovation centre.

The City of Vancouver launched a new support centre for small businesses at a press conference Wednesday but the mayor admitted the centre could not directly help business owners who are struggling to keep up with dramatic property tax increases.

Property tax rates are based on property assessments, done by BC Assessments, and many Vancouver businesses have been hit hard with values going up by as much as 300 per cent in some neighbourhoods.

Vancouver Mayor Gregor Robertson said he has called on the provincial government in recent years for changes to how BC Assessment values the land small businesses sit on.

"We will continue to press hard for improvements to the assessment system so that it is fair and it isn't punitive particularly for small businesses in a location where assessments have gone up [through] the roof," he said.

"We are focused on this – it's a key priority for us."

One proposal floating around is the idea of 'split assessments' where the un-built air space above a building – where future condos could be built – is assessed at the lower residential property tax rate. That's one policy that could help small businesses immensely, property tax expert, Paul Sullivan, told Metro Monday.

Gregor says the city has been pushing for that very policy with the B.C. government.

"In these recent years we have pushed hard for split assessments to try and mitigate the impact for those small businesses, particularly in those areas where assessments are going up dramatically fast."

In the meantime, the city is working on maintaining the supply of industrial and commercial land to ensure rents are not escalating due to lack of job or retail space, he said.

"Fortunately the economy is growing. We are seeing a lot of success in the retail market in Vancouver. There is a counterbalance there.

BRITISH COLUMBIA - How Vancouver got its housing bubble under control: a lesson for cities like London and San Francisco

Good news Londoners, Stockholmers, and San Franciscans: Vancouver may have solved one of your toughest problems. Last year, the Canadian city topped UBS's Global Real Estate Bubble index, a ranking of cities most at risk of being in a property bubble; the bank said Vancouver's housing market was in "overdrive." But in the last four months, house prices have taken a marked turn downwards.

Residential property sales dropped a staggering 39.5% in January compared to a year ago, according to the Real Estate Board of Greater Vancouver. With 1,523 properties sold in the region, that was also an 11% decrease from December, a report this week showed.

The drop in sales is pulling down prices. A house price index by the Canadian Real Estate Association puts the benchmark property price at C$896,000 (US$688,000), down 3.7% in the past six months. Still alarmingly expensive, but at least improving.

So how did Vancouver tame its roaring housing market? A weakening Canadian dollar had been increasing demand from foreign buyers, while central bank stimulus kept interest rates low and pushed up the number of mortgages. But last August, British Columbia imposed a 15% tax on foreign home buyers.

It's working, according to Bank of Montreal analysts. They show how prices have been falling in Vancouver but are still appreciating steeply in Toronto and Victoria, which don't have a similar tax. Additionally, the federal government introduced new rules in October that made it harder for first-time buyers to get a mortgage.

Royal LePage, a real-estate company, forecasts house prices will drop 8.5% in 2017. It argues that an important reason for the fall in sales isn't just the foreign buyers' tax, but that locals have stopped putting their homes up for sale simply because they can't find affordable alternatives.

Of course, what worked for Vancouver may not work everywhere—and indeed, if other cities adopt such a foreign buyers' tax, it may end up putting even more pressure on the markets of cities that don't. Still, it shows that there are ways to bring a runaway market under control.

BRITISH COLUMBIA - Vancouver's new help centre for small businesses eclipsed by steep tax increases

Assessed property values in Vancouver rose 39 per cent citywide this year, with some neighbourhoods jumping by as much as 75 or 100 per cent. Among the hardest hit areas are Strathcona, with an 80 per cent increase over 2016, and the West End, with a 73 per cent hike.

The City of Vancouver has launched a centre to help small businesses navigate their permitting, licensing and regulatory processes, but it is opening at a time when many business owners in neighbourhoods across the city are preoccupied by steep commercial property tax increases.

Mayor Gregor Robertson said the new commercial renovation centre at Cambie Street and 10th Avenue will serve as a "one-stop shop" for small businesses, which he called the backbone of the city's economy.

"When you deal with government you hope that things are going to go smoothly and quickly, because you're focusing on growing your business," he said.

"At the city, we have realized over time that we need to speed up the process … that's why this new centre exists."

Meanwhile, existing business owners are navigating an entirely different problem — assessed property values rose 39 per cent citywide this year, with some neighbourhoods jumping by as much as 75 or 100 per cent, according to figures provided by Paul Sullivan, a senior partner at Burgess, Cawley, Sullivan & Associates, a property tax consultancy firm.

Among the hardest hit areas are Strathcona, with an 80 per cent increase over 2016, and the West End, with a 73 per cent hike. By comparison, citywide increases ranged from roughly six to 14 per cent from 2010 and 2016.

For small retailers in areas like the West End who operate on slim profit margins, an increased assessment can be ruinous. "They're done. They're absolutely done. That's lights out," Sullivan said bluntly.

Commercial land values don't rise evenly across the city. Those who see significantly higher assessments than the average wind up paying a larger share of the total tax levy city council chooses to draw from the business community.

Among things that can increase assessed values are changes in municipal land use policies and market value changes, Sullivan said. "People are coming along and paying extremely high prices for properties … and they're causing assessments to double and triple."

For Vision Vancouver Coun. Raymond Louie, a change in the way B.C. Assessment — a provincial Crown corporation — values land could help ease the pressure on small business owners. The problem, as Louie put it, is that appraisers value land at its "highest and best use," even if that includes unbuilt space.

Sullivan explains: when an appraiser walks up to a piece of property and sees a one-storey retail building, they first calculate what an investor would pay for it in its existing state. But rather than stop there, they also consider what the land value would be worth were it built out to its full potential, and in many mixed use areas that would be a building featuring one floor of commercial space and three floors of residential.

That unbuilt space is then taxed by various authorities, Louie said.

While property owners may be able to stomach increased valuations, "because you're also getting some appreciation in the underlying value of the land," small business owners generally lease their land.

About 95 per cent of businesses in Vancouver are classed as small, and 60 per cent of its enterprises have less than five employees, according to the city.

City staff initially sparked the small business centre as a pilot project, and since October it has already worked with 35 businesses, according to the city.

The costs for the centre will be absorbed in the existing budget, said Kaye Krishna, the city's general manager of development, buildings and licensing.

ONTARIO - GO expansion could boost GTA property values

A study commissioned by the Toronto Real Estate Board considered the impact of GO's Regional Express Rail expansion on Toronto region housing prices and affordability.

The plan to expand the GO train system to 15-minute, all-day two way service could increase some Toronto area property values up to 12 per cent.

It could also make housing up to 18 per cent more affordable in some areas of the region, according to a study of 773 communities commissioned by the Toronto Real Estate Board (TREB).

But maximizing those benefits depends on local municipalities making it attractive for commuters to get to the station, said the president of a data analytics company that studied the impact of GO's Regional Express Rail (RER) expansion on Toronto region housing prices and affordability.

"While the GO station may be close to people it may not be accessible to them," said Paul Smetanin, president of the Canadian Centre for Economic Analysis (CANCEA).

Areas that stand to gain the most in terms of affordability from RER are those outside the city, places such as Barrie, Guelph, Hamilton and King.

"A household in Barrie commuting by car could shift their affordability by up to 18 per cent," he said.

Because Toronto is already well served by transit it won't see the same uplift in land value and improvement in affordability.

Housing affordability "has become an increasing middle-class problem across the region," with almost a third of the Ontario population under extreme housing affordability pressure, said Smetanin.

CANCEA has developed a Shelter Consumption Affordability index that expands the measure of the cost of operating a home beyond just the mortgage payments and interest rates. It factors in other costs such as power, access to child care and transportation within the context of household incomes.

Housing prices are part of affordability but not the only factor, said Smetanin at an economic conference organized by the real estate board on Tuesday.

"Housing affordability is more than just housing prices. Housing prices aren't a problem if your incomes are going up at the same rate, if you've got other expenses associated with housing actually going down," he said.

"When you improve transit you're allowing families a better choice of properties across the region. They can live further out from the job centres. At the same time there's a balancing act because when you're looking at developing land on the outside of the density areas it costs a lot more money," he said.

If you live outside Toronto and you don't have access to a car you only have access to about 5 to 10 per cent of the jobs in the area. If you live in Toronto and you don't have a car you can access to about 30 per cent of jobs.

Metrolinx CEO Bruce McCuaig, told the same TREB conference that transit and property values are closely linked.

He called the affordability study good news. But it failed to consider the addition of new GO stations in Toronto or regional transit fare integration.

The impact of RER could be even greater, McCuaig said in a statement to the Toronto Star.

"Access to high quality, car-competitive transit, encourages (home) buyers to consider higher value properties than they might otherwise and that's true in both the commercial sector as well as the residential sector," he told the realtors.

There will be 100,000 homes within 750 metres of the $5.3-billion Eglinton Crosstown LRT that is scheduled to open in late 2021, said McCuaig.

BRITISH COLUMBIA - Trump ban drives Christy Clark to refine B.C. foreign buyer's tax

"We're going to lift the foreign owners' tax on people who have work permits, who are paying taxes and living in British Columbia, as a way to encourage more people to come," Ms. Clark said.

The B.C. business community spent six months lobbying for changes to the province's foreign home buyer's tax, but it was the actions of U.S. President Donald Trump that propelled Premier Christy Clark to promise amendments.

The B.C. government introduced a 15-per-cent property transfer tax on purchases of residential real estate in Metro Vancouver by non-Canadians last July in a bid to cool Metro Vancouver's overheated real estate market.

The measure was aimed at foreign individuals and entities that were pouring $1-billion a month into residential real estate in the region, but business leaders immediately called for exemptions on behalf of skilled professionals coming to the province for work.

The lobbying, in particular by technology industry leaders, was sustained but it was only on Sunday, reacting to President Trump's executive order temporarily blocking entry by citizens of seven Muslim-majority countries, that the B.C. Premier announced her government is preparing an amendment to the tax to make her province more welcoming for those facing closed doors in the United States.

The regulations required to amend the tax are still being drafted, but Ms. Clark got ahead of the details and announced that she wants to bring "the best and the brightest" to this province: "We're going to lift the foreign owners' tax on people who have work permits, who are paying taxes and living in British Columbia, as a way to encourage more people to come."

An aide to Ms. Clark said the changes have been in the works for weeks, calculated to take advantage of the changing economic landscape as a result of the November U.S. election.

One of the fastest-growing segments of B.C.'s economy is the tech industry and the government expects that President Trump, who clashed with Silicon Valley executives during the campaign, could drive opportunity north of the border.

That looked more likely on the weekend, after leaders from top U.S. tech companies – including Apple Inc., Google Inc. and Facebook Inc. – denounced the suspension of the U.S. refugee program and the halting of arrivals from select Muslim-majority countries.

Bill Tam, head of the B.C. Tech Association, said this is a good time for Canada – and British Columbia – to roll out the welcome mat.

"The conditions for growing the technology sector – and the knowledge-based industries more broadly – relies on a jurisdiction's ability to say it is a fantastic place for people to pursue the breakthroughs and careers they are looking for," Mr. Tam said in an interview.

"The rhetoric we have seen recently [in the U.S.] has cast a pall on one of the more attractive jurisdictions for that to happen. As a consequence, certainly Canada and British Columbia stand to benefit from a positioning exercise that allows us to attract more people to be part of our tech ecosystem."

Last August, senior economists Jock Finlayson and Ken Peacock of the Business Council of B.C. warned that the new property tax on foreign buyers would make it even harder to lure outside talent to take jobs in the lower mainland. "Over time, sky-high housing costs threaten to precipitate a gradual hollowing out of corporate Vancouver," they wrote.

On Monday, Mr. Finlayson said the tax was a concern to more than just the tech sector. "As soon as the tax was announced, we began to hear from some of our members who were worried it would hamper efforts to recruit global talent to companies and academic institutions in Greater Vancouver," he said.

He said it is too early to measure whether the policies of the Trump administration will translate into opportunities to expand British Columbia's tech sector. "But it's an opportunity worth pursuing, not only for those with the qualifications to take mid-level and senior positions in B.C. technology companies, but also for academic researchers, senior-level executives, and perhaps even medical specialists with hard-to-find expertise."

BRITISH COLUMBIA - Robson Street businesses hit with 200% assessment increase

Huge jump in property values mean some business owners will see hundreds of thousands of dollars added to their property tax bill

The Robson Public Market on Robson Street in downtown Vancouver. A huge jump in property assessments means some business owners in the area will pay hundreds of thousands more in property taxes.

Take a good hard look at your favourite coffee shop, the restaurant where you celebrated your anniversary or the corner store you rely on to grab that forgotten carton of milk.

With property values for commercial properties in Business Improvement Areas spiking an average of 40 per cent across Vancouver this year, and in some cases as much as 200 to 300 per cent, their continued survival is very much in jeopardy.

“Typically year by year their increases go up five to 10 per cent,” said Paul Sullivan, a principal of the property appraisal firm Burgess Cawley Sullivan. Business Improvement Areas are the commercial areas that anchor many Vancouver neighbourhoods with shops and services. It’s the highest one-year move in property values Sullivan has ever seen in his 25 year career.

Hotspots include the Broadway Corridor, Railtown, Chinatown and Mount Pleasant. But no area is hotter than the northern end of Robson Street and the western end of Davie Street. There, a relatively new community plan that increased the density allowed for those sections of the streets has pushed assessments into the stratosphere.

“All the little retailers along lower Robson, their property values have gone up 100 to 300 per cent,” Sullivan said. As an example, he said a building that may have been assessed at $12 million in 2016 is now valued at $44 million.

Redevelopment for the area is certainly to be expected with the changes to the community plan, said Stephen Regan, executive director of the West End BIA. But he fears that the pace of property increase means the transition won’t be smooth. Many of those business owners — who often pay property taxes directly through their lease — will now have to come up with hundreds of thousands more in revenue to cover the increased taxes.

The risk is that the number of vacant storefronts could increase as business owners leave early or go out of business and buildings await redevelopment, Regan said. Or the shopping areas will become dominated with "safe" tenants, like chain restaurants and banks.

Increasing property values don't always translate for hardship for small businesses, according to Grant McDonald, an assessor with the Vancouver office of BC Assessment. He recently told Vancouver city council that Railtown is still attracting independent small businesses, despite lease rates having doubled.

Sullivan is now working with many of the affected businesses to appeal the West End assessments. But ultimately, he believes more policy tools are needed than the ones currently offered to business owners to help them cope with unexpected increases in value. Three year averaging, a system where property owners can spread the increase out over several years, is "a joke" in the face of such extreme increases, he said.

Five-year averaging is something the city has said it will implement, but not until 2019, Regan said. He'd like to see the province allow split assessments, which involves assessing the unbuilt "air space" (the future condos) at the lower residential property tax rate.

But, he observed, the wheels of government never seem to turn very quickly.

"It's just like in … residential housing," Regan said. "How long did it take the Liberals to close the barn doors? The horse was way out of the gate."