IPTI Xtracts

Property Tax and Assessment News from Around the World

CANADA - December 2017

Move over Toronto and Calgary, this Canadian city has the lowest business taxes in the country

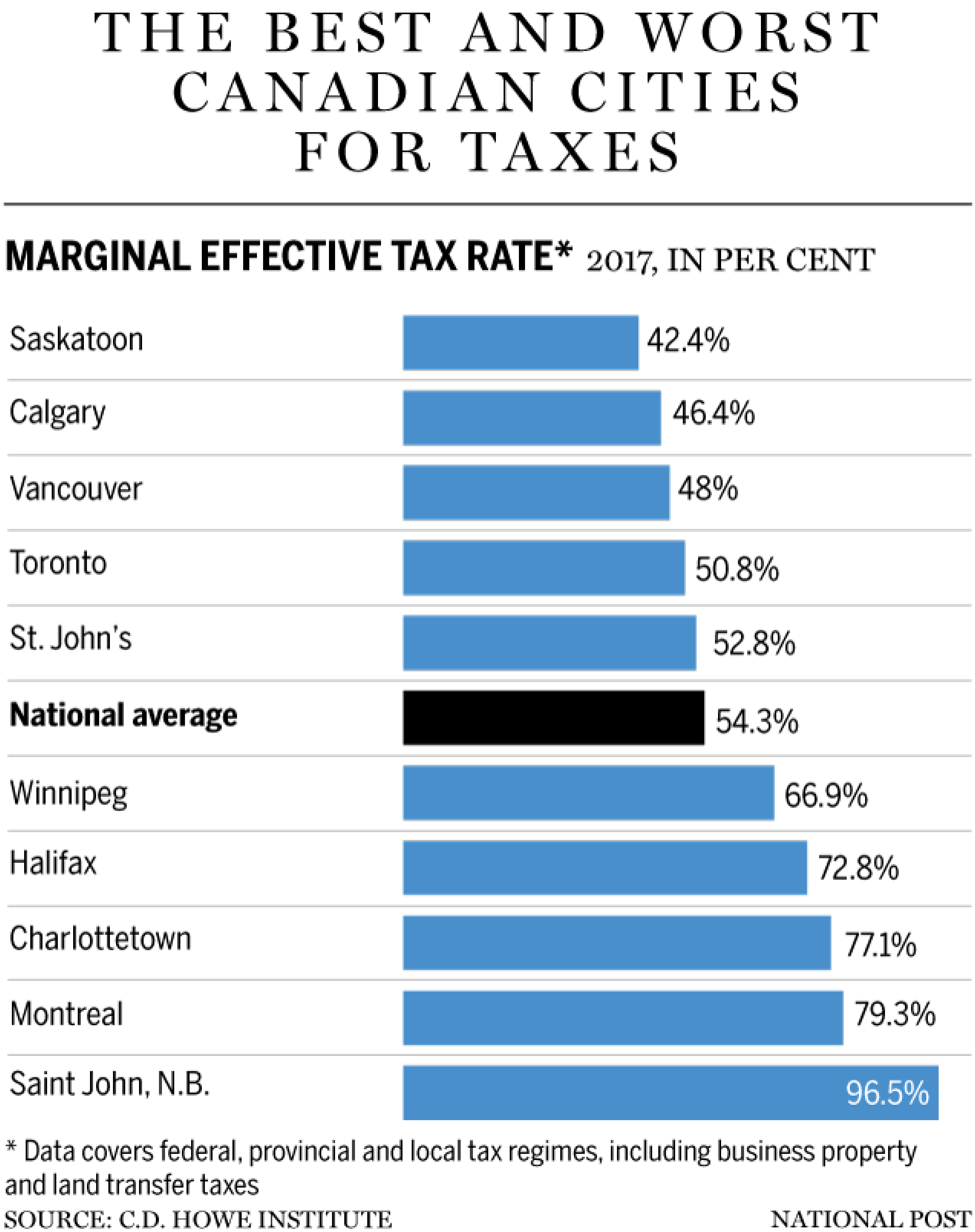
C.D. Howe also measured property taxes and land transfer taxes—two metrics that are often overlooked but account for as much as two-thirds of taxes on new business investment

Saskatoon has the most competitive tax rates on business investments of any major city in Canada, beating Calgary for the third straight year following recent tax hikes in the Alberta region, a new report shows.

Policy think-tank C.D. Howe Institute released its annual report card on Wednesday that measures the marginal effective tax rate (METR) on new business investments in Canada's biggest cities.

Saskatoon earned the highest score, followed by Calgary and Vancouver in second and third place, respectively. Overall, the highest tax burdens were found in Saint John, Charlottetown and Montreal. Toronto and St. John's scored around the national average. Saskatoon has led the list since 2015, when it took the top spot from Calgary.

Saskatoon's overall METR fell to 42.4 per cent in 2017, compared with 45.6 per cent five years earlier, according to the report. Albert's overall METR, meanwhile, increased from 45.2 per cent to 46.4 per cent over the same period. Vancouver's overall tax burden has dropped from 54.8 per cent to 48 per cent.


THE BEST AND WORST CANADIAN CITIES FOR TAXES
MARGINAL EFFECTIVE TAX RATE* 2017, IN PER CENT
Saskatoon 42.4%
Calgary 46.4%
Vancouver 48%
Toronto 50.8%
St. John's 52.8%
National average 54.3%
Winnipeg 66.9%
Halifax 72.8%
Charlottetown 77.1%
Montreal 79.3%
Saint John, N.B. 96.5%
* Data covers federal, provincial and local tax regimes, including business property and land transfer taxes
SOURCE: C.D. HOWE INSTITUTE
NATIONAL POST

The report measured METRs in the biggest cities of every province. Unlike many METR equations, which include retail sales taxes, corporate income taxes and other tax rates, C.D. Howe also measured property taxes and land transfer taxes—two metrics that are often overlooked but account for as much as two-thirds of taxes on new business investment.

“The bottom line is that the way governments have been measuring effective taxes on investment decisions has in fact been excluding the majority of the end costs that businesses face,” said Benjamin Dachis, an associate director of research at C.D. Howe.

Property taxes are typically much higher for businesses than residences, Dachis said. When property taxes were initially introduced in Canada, the proceeds went directly to funding education, but the tax now flows into the broader government pool. Land transfer taxes are levied everywhere except in Alberta, and are effectively imposed every time real estate ownership changes hands.

The report comes as concerns in some regions rise over higher property taxes being imposed.

Some Toronto-based groups have begun to push back against a proposed property tax hike in the city, which they say could be ruinous for small businesses.

On Tuesday, Yonge St. Small Business Association president John Anderson told city council that small retail shops were “being forced out of business” due to the higher property tax rate. The proposal would also raise taxes on residences by just over two per cent, according to estimates.

The C.D. Howe report said Toronto’s proposed property tax changes were “slowing” any improvements the city had made elsewhere in reducing its overall tax burden on businesses.

It also called on governments to include property taxes and land transfer taxes in its overall assessments of tax friendliness.

“It is time that governments included this tax in their METR estimates, which would prompt a more balanced and informed examination of the level and mix of business taxation they impose.”

In terms of provincial tax burden on businesses, the report found that Alberta continues to slide in METR rankings following a hike in corporate income tax rates, as well as higher property tax rates on both the provincial and municipal level.

“They’re taking a bigger and bigger bite, while governments in Saskatchewan and British Columbia, both provincially and municipally, have taken a number of steps to reduce their effective taxes on business investments,” said Dachis.

What Areas of Canada Have the Highest and Lowest Property Tax Rates?

What you end up paying also depends on local property values

Every week, Mansion Global poses a tax question to real estate tax attorneys. Here is this week’s question.

Where in Canada are the highest and lowest property taxes?

Greater Moncton in New Brunswick and Vancouver, British Columbia, have the highest and lowest property taxes, respectively, according to James D. Fraser, partner at Lawson Lundell, a law firm in Vancouver.

But that doesn't necessarily mean they charge the highest or lowest taxes, said Mr. Fraser, citing research from tax professionals at Altus Group and Burgess Cawley Sullivan & Associates, both in Vancouver, based on information by Altus, the Canadian Real Estate Association, REALPac investment real estate association and municipal websites.

Property tax rates in the country are adjusted annually by municipalities "and vary significantly from coast to coast," said Michael S. Cirone, partner at Morris Kepes Winters in Toronto, Canada, who practices Canada/U.S. cross-border tax and estate planning law.

They are derived from multiplying the residential tax rate with the assessed value of the property, Mr. Fraser said.

"Since different cities may include different expenses in their rates, rates aren't necessarily directly comparable between cities," he explained.

However, assuming rates are comparable, Greater Moncton has the highest published residential tax rate in a major Canadian city in 2017, at $16.49 per $1,000 of assessed value, Mr. Fraser said.

The lowest is $2.55 per $1,000 of assessed value, in Vancouver.

With assessed values for typical two-story, single-family detached homes varying from city to city, the cities with the lowest and highest tax rates don't necessarily have the highest or lowest taxes, he said. For instance, Vancouver has one of the lowest tax rates but because of high home values—an average of $1.8 million—the city has one of the country's highest property taxes.

Toronto and Calgary have the highest and lowest average 2017 taxes, at C$6,289 (US$4,946) and C$3,423 (US$2,690) respectively, Mr. Fraser said.

Property tax rates alone don't paint a complete picture because the property value "is the most critical factor in determining the quantum of property taxes payable," said Mr. Cirone, who is both a Canadian and U.S. tax lawyer. That's why even though Vancouver and Victoria, British Columbia, have low tax rates, "you can expect to pay almost double in property taxes in Vancouver because the property values are so much higher.

SASKATCHEWAN - Saskatoon property taxes going up 4.7% in 2018

Saskatoon property taxes are slated to increase 4.7 per cent in 2018 after city council approved a budget that also keeps the Meewasin Valley Authority (MVA) running.

The tax increase means the owner of an average home in Saskatoon with an assessed value of $371,000 will pay an additional $81.84 in property taxes in 2018 compared to the previous year.

A draft version of the budget projected a property tax hike of 4.9 per cent.

Of the approved 4.7 per cent increase, about 2.8 per cent is a result of lower provincial sales tax revenue and cuts to grants-in-lieu of taxes paid by the province, according to city officials.

Saskatoon city council's portion of the tax increase is 1.9 per cent, according to the city's calculations.

MVA officials presented to council, seeking an additional $331,000 to help offset funding cuts resulting from April's provincial budget and to fund the MVA's outdoor skating rink.

Council unanimously approved $45,000 in ongoing funding from the operating budget for the outdoor rink

Half of the remaining $286,000 will be funded through property taxes, while city council voted to take the other $143,000 from a reserve fund.

“For five years now, the MVA has been really in a tough spot because the province has either flat-lined its budget [or] now cut it,” Mayor Charlie Clark said.

The city will review its funding relationship with the MVA in 2018.

“I would say that the ball is in the province’s court on this right now,” Clark said.

“Even with the city’s additional funding today, if the province doesn’t step up, this is not saving the MVA.”

Meewasin officials will have time to re-examine its business plan and potentially improve its fundraising efforts, according to Meewasin board chair Colin Tennent.

“We have to look at different models for fundraising – different ways of approaching particular constituents who may be able to support us in ways that we haven’t asked in the past,” Tennent said.

Coun. Darren Hill noted the Rural Municipality of Corman Park doesn’t contribute funding to the MVA, even though the authority’s jurisdiction extends into the RM.

“It is a concern. We’ve had discussions with Corman Park recently about particular issues that we would like resolved,” Tennent said.

“I think there is opportunity for us to revisit Corman Park as a partner in Meewasin.”

Council also added to the property tax rate Tuesday with a $240,000 increase in parks maintenance. Another $125,000 was allocated for a senior fire inspector in the fire services budget.

The city’s total operating budget for 2018 is roughly $491 million.

SASKATCHEWAN - Prince Albert tax system most 'unfair' in Saskatchewan for small businesses: CFIB

The Canadian Federation of Independent Business says Prince Albert is the city in Saskatchewan with the most “unfair tax system” for small businesses.

A new report from the group, which advocates for independent business owners, shows commercial property owners in Prince Albert paid $3.86 in municipal property taxes for every dollar paid by homeowners last year.

The provincial average for commercial owners was $2.21 per homeowner dollar.

“While some cities are doing a better job than others in making municipal property taxes fairer for small businesses, there is still more work to be done,” said Jennifer Henshaw, CFIB’s senior policy analyst for Saskatchewan and the report’s co-author, in a news release.

Business property owners in Prince Albert also paid the highest property tax bill, according to the report. For example, a business assessed at $200,000 paid about $6,000 in taxes last year.

“If you’re a small business owner and you want to survive in P.A., or if you’re a small business owner who wants to move to P.A., it’s certainly something you’re going to consider — what is the amount of taxes you’re going to pay the municipality," Larry Fladager, CEO of the Prince Albert and District Chamber of Commerce, said. His group is urging the city to lower commercial property taxes.

Warman's municipal property tax gap of 1.39 and Saskatoon's $1,847 property tax bill for businesses valued at $200,000 were both the lowest in the province, in their respective categories.

CTV News reached out to the City of Prince Albert, but no one was available for comment.

ONTARIO - Haider-Moranis Bulletin: Why it's time to rethink our property tax regimes

Would municipal revenue and services change if the taxes were levied separately on the land and the value of the house?

Owners of more expensive homes pay higher property taxes.

But in return, those paying higher property taxes do not necessarily receive more or better local services than those neighbours who pay less.

That is one of several shortcomings in the way property taxes are devised, imposed and collected that contribute to a frequent sense of discontent among taxpayers.

Property taxes are usually levied to support local services and to create a direct link between where tax revenues are raised and where they are spent. Services such as public transit, policing, snow or waste removal and education are often paid for, in full or part, by residents through property taxes and user fees.

However, unlike user fees, there is not always a direct link between the amount, frequency and quality of service received by homeowners and the property taxes they pay.

A comparative analysis of property tax regimes by two leading Canadian urban economists, Enid Slack and Richard Bird at University of Toronto, reveal a variety of norms around the world including some regions, such as Ireland, where households self-assess their property values.

Professors Bird and Slack highlight several general shortcomings in property tax regimes. Property taxes, they argue, are "unrelated" to the ability of the homeowner to pay. They are also "unsuitable," because the revenue raised supports services that have nothing to do with property, per se. Finally, they are "inadequate," as they fail to provide the financial means needed to support local services.

The huge bureaucracies set up to assess property values also impose large costs on taxpayers, and the debate over who should assess land and property values and set tax rates is far from settled.

Property taxes can be contentious especially when owners disagree with the assessed values. An example of an exponential increase in commercial property taxes was observed in Toronto when some downtown retailers saw their property tax bills skyrocket after the Municipal Property Assessment Corporation (MPAC) assessed the retail properties for the highest possible land use, i.e., condominiums. Only when the retailers appeared set for a tax revolt did the MPAC retreat and reassess the values.

Part of the disconnect over property taxes arises because both land and the structure built on it (so-called "improvements") are taxed together.

Since the same tax rate, known as the Millage rate, applies to all residential properties in a municipality, owners of high-valued dwellings end up paying more.

Some will argue that the owners of expensive homes are likely to be well off and hence can pay higher property taxes. But wealth and income taxes are separate from taxes on real property. If one insists on levying higher taxes on the well-off, we must then call the property tax what it really is: an indirect wealth or income tax.

At the same time, owners of larger or more expensive homes pay proportionately for their consumption of water, hydro, or gas. The size of the dwelling is not a factor in what a household receives in municipal services, but it impacts the cost of utilities they consume.

How would municipal revenue and services change if "property taxes" were split and levied separately on the land itself and the value of the structure built upon it?

In a 2016 paper published by the Centre for the Study of Commercial Activity at Ryerson University, Maurice Yeates, Tony Hernandez and Matthew Emmons offer a comprehensive review of property tax rates across Canada.

Among their key observations, they describe a potential regime that separates the unimproved capital value (land value) from the improved capital value (structure) and that taxes the unimproved value more aggressively than the improved value. Such a regime would encourage owners to improve the built component when they realize that the bulk of the property tax is based on land value

Separating unimproved land value from the property value and taxing it more aggressively would make urban land more expensive to hold, but cheaper to build upon.

That could help address the housing supply challenges exacerbating housing affordability challenges in urban Canada.

Murtaza Haider is an associate professor at Ryerson University. Stephen Moranis is a real estate industry veteran.

NOVA SCOTIA - UARB lowers strip mall assessments

But not as much as owners initially requested

Several strip-mall owners in Bedford and Dartmouth have successfully reduced their property assessments after appeals to the Nova Scotia Utility and Review Board, but in each case the amount of reduction was not what they had initially sought.

The UARB released decisions this week affecting five properties that had initially been appealed to the Nova Scotia Assessment Appeal Tribunal, the province's first level of appeal, earlier this year.

In some cases, the tribunal upheld assessment values set by the Property Valuation Services Corp., and in others the tribunal agreed to reduce the amounts.

However, in all five decisions this week, the UARB agreed to joint submissions from the assessor and the property owners and effectively split the difference.

Victor Goldberg, a commercial lawyer with Cox & Palmer in Halifax who represented all of the successful property owners, said in some cases, appeals for lower assessments were based on actual evidence of income and expenses, vacancy rates and market values for similar properties.

Other appeals were successful based on the capitalization rate — commonly called the cap rate — used to calculate the value of a property.

"You might know the capitalization rate on a property that changed hands, or a series of properties that changed hands," Goldberg said. "The question is what is the capitalization rate on a property that didn't change hands?

"In those situations, you have to try to determine market value and so to do that, you need to determine the net operating income of any one retail property, commercial property. And then you have to look at those sales that you know or those cap rates that you know on other properties and determine what cap rate from other properties is the closest or most corresponds in characteristics and quality to your property."

Goldberg said in addition to the decisions handed down this week, he has represented other property owners in appeals that are still before the UARB, and in most cases, appeals were based on the methodology used by PVSC to determine the cap rate.

"The PVSC was using a mass appraisal technique, which we felt was not the appropriate way of calculating any one property's market value."

The commercial lawyer declined to say whether he thought the negotiated settlements ought to force PVSC to change its cap rate calculations.

"I think you can take it as a sign that the parties were able to resolve their differences by way of settlement, which is normally better than leaving it totally up to a tribunal or a judge, because when you have a settlement, you have certainty," he said.

"Certainly my clients would have preferred to get everything they were looking for, and the settlement reflects that they are happy to resolve matters, and they certainly were happy with the final resolution and recognize the importance of certainty and avoiding the significant costs of going to hearings."

Carlos Resendes, PVSC vice-president of business and innovation, said he couldn't comment on individual assessments or appeals.

PVSC, which is funded by municipalities and establishes property assessments used to calculate municipal taxes, establishes a range of cap rates that apply to various classes of income properties.

Resendes said those rates apply uniformly across a particular class based on actual sales of similar properties.

The cap rate is a ratio determined by dividing the potential sale value of the property by the net revenue. Property buyers, investors and sellers use the rate to determine the property's income value and how quickly they can get a return on investment.

"Broadly speaking, the malls would have their own cap rate, the big malls, the office buildings would have their own cap rate," Resendes said.

"Any other income-producing property would have their own cap rate associated with them to reflect the purchasing decisions that are made in the marketplace when those sales transactions occur and convert, because nobody's buying those buildings for their bricks and mortar. They're buying them for the quality of the income stream over the remaining economic life of those buildings."

Resendes said assessment staff do their due diligence in determining all of the things that go into assessment values, but the system permits property owners to introduce their own evidence if they wish to appeal.

"We have no interest in keeping a value high, low or otherwise," he said. "We just want to get it right, and so if new evidence comes to light that we need to make an adjustment, we will make that adjustment."

He said annual quality checks show the accuracy of assessment-to-sale ratios is nearly 100 per cent.

The following is a list of the UARB property decisions this week. All are 2016 assessment figures, except as shown:

• Staples Plaza, 114 Woodlawn Rd., Dartmouth

Initial assessment: $14,391,500

Tribunal decision: $12,494,500

UARB decision: $13,500,000

• Bedford Highway Centre, 1746 Bedford Hwy.

Initial assessment: $1,762,100

Tribunal decision: $1,762,100

UARB decision: $1,573,000

• Bedford Commons Plaza, 181 Damascus Rd.

Initial assessment: $20,312,700

Tribunal decision: $18,272,000

UARB decision: $19,049,200

• Bedford Commons, 59 Damascus Rd.

Initial 2015 assessment: $15,129,200

Tribunal 2015 decision: $14,163,200

UARB 2015 decision: $14,650,000

Initial assessment: $15,881,600

Tribunal decision: $14,116,400

UARB decision: $15,000,000

• Village Centre, 936 Bedford Hwy.

Initial assessment: $4,228,800

Tribunal decision: $4,228,800

UARB decision: $4,050,000

NOVA SCOTIA - Halifax council votes in favour of 1.9% property tax hike

Increase means the average homeowner would be paying $35 more

Halifax regional council has voted in favour of allowing finance officials to prepare next year's budget based on an 1.9 per cent increase to the average homeowner's tax bill.

Finance manager Bruce Fisher told councillors debating the issue Tuesday that the hike was necessary because of declining revenue and increased salary awards for police and firefighters.

Slower growth in the commercial sector means property tax revenue is poised to be $4.5 million less than expected, and transit fares are also expected to decline by $1 million.

Meanwhile, an arbitration award for the police means their salaries will total $8.5 million next year. Since firefighters automatically get 95 per cent of whatever police officers are paid, they will also be getting a bump in the last year of their contract that amounts to $1.4 million.

Council also agreed to a new standard that requires four firefighters per engine. The change alone means $3 million in additional costs.

The tax proposal comes after city staff trimmed $8 million in order to balance next year's books. Those efforts will continue, said Jacques Dubé, HRM's chief administrative officer.

"I don't know if we can find more savings, so we're being conservative," he said.

14-1 vote

The 1.9 per cent increase will raise the average homeowner's tax bill by $35. The average single-family homeowner pays $1,874 in annual property taxes.

Council was already expecting the budget for 2018 to include a tax increase of 1.6 per cent.

The vote to direct staff to prepare the 2018 budget with the increase was 14-1, with Coun. Shawn Cleary being the only councillor to vote against the proposal.

"There's one well," said Clearly. "And there's only so many times different levels of government can go to that well."

Mayor Mike Savage and Coun. Steve Adams were absent from the chamber at the time of the vote.

Given the arbitration award for police and the related hike for firefighters, Coun. Steve Craig thinks the tax increase is unavoidable.

"We're in the $14- to $16-million range for no change in service," said Craig. "So to say we'll hold the line on taxation or find savings to cover that, I don't think that's realistic."

NEW BRUNSWICK - Tenants caught in a vice between landlord, government tax refund battle

'We're the one that's paid for their mistake'

New Brunswick tenants stung by rent increases after property taxes shot up say they are not necessarily benefiting when their landlords win tax refunds.

Property taxes were increased this year after several botched assessments by Service New Brunswick.

"It would be nice if they would pass it back," said one Moncton tenant of M.L. Rentals Ltd. Their landlord increased rent by $25 per month to pay for a tax hike on the building. But that tax hike has now been repealed.

The tenant asked not to be identified for fear of retaliation by their landlord, but said notices were placed in mailboxes last spring at the Sunnyside Terrace Apartments stating that rent increases were needed to pay for the sudden jump in property taxes.

There has been no further information that the increase was withdrawn and no rent reductions.

"There was a letter sent around indicating that the property taxes had been increased and the rent would subsequently be increased," said the tenant.

"I wasn't aware of the refund."

M.L. Rentals owner awarded tax refund

Property tax records show that the 24 unit apartment complex owned by M.L. Rentals on the Shediac Road received a property tax increase of $6,807 in March after the province's new assessment system calculated a $240,000 increase in its market value.

M.L. Rentals owner Julien LeBlanc said he notified some long-term tenants that the tax increase required a rent increase but he also launched a fight with the province over the tax bill.

Last month he won that fight.

The province acknowledged the value of his Shediac Road property had actually fallen — not increased — and he was awarded a 115 per cent ($7,870) property tax refund on the buildings, but has decided against reducing rents that funded the original tax increase.

"This rebate that I got paves the way for the next couple of years. There definitely isn't going to be any increases for a while now," he said Friday.

'I was hoping for a flood of calls'

LeBlanc said rent increases were only to long-term tenants whose rents had fallen below current market levels and were not really caused by the tax increase.

The rent increases were coming anyway, he claims. He said tenants were told increases were specifically caused by the tax hike to try and get them to join a long running fight between landlords and the province over property tax rates for apartment buildings.

Unlike homes, apartment buildings pay two property taxes, municipal and provincial, and landlords have been campaigning for a repeal of the provincial portion for several years. LeBlanc says he thought he could get tenants to support that fight if he blamed increasing rents on property taxes.

"I was hoping for a flood of calls to our government officials," said LeBlanc.

"Yes their rents went up $25 but they still pay $50 less than their neighbours because of their loyalty. When people move out, that's usually when I put the rents up."

"These [long-term] people are already paying a lot less than the market and those are the ones that I put the rent up on. I hate doing it, but I did it."

'OK, I'm making more'

In Fredericton, landlord Michael Zabywalski has also decided against refunding rent hikes after winning a partial refund of his tax increase.

Zabywalski sent letters to all the tenants at his 45-unit building on McKnight Street in March explaining he was being forced to raise their rents after the province hit him with a $32,600 increase in his property tax bill.

"Due to the major increase in property tax this year I am forced to increase the rent," he wrote, informing all tenants they would have to pay $30 per month more starting July 1.

That covered about half the tax increase and Zabywalski explained he would be covering the other $16,000 himself.

But Zabywalski also challenged the province, claiming the tax increase was unfair. Last month he won an acknowledgement stating his original assessment had been in error and he was credited with a $22,000 tax refund.

Because it was only a partial refund, and the building's tax bill is still $10,600 higher than it was last year, Zabywalski said he has decided to leave the rent increases in place to pay for other expenses.

"It's still an $11,000 [tax] increase and we're looking at ever-increasing costs on the water and the sewer and electricity and insurance," he said.

"OK, I'm making more, but it is more than being taken away from me on the other end."

Irene Murphy is one of Zabywalski's tenants and isn't happy with the way the property tax increase affected people like her but mostly blames the province — not her landlord.

"We're the one that's paid for their mistake," said Murphy.

Service New Brunswick has been forced to lower assessed values and taxes on more than 10,000 properties since first issuing bills last March, including those on hundreds of apartment buildings.

There is no central record of how many tenants were given rent increases because of property tax tax hikes that were later repealed.

BRITISH COLUMBIA - Property price spike set to drive up city’s downtown office taxes

Unintended consequences

Pricing for strata office space at Bosa Development Corp.’s 320 Granville Street tower continues to draw attention, but as Chuck We of Oxford Properties Group recently told commercial real estate association NAIOP, it might not be kind to downtown landlords.

“When BC Assessment sees that office space is now worth north of $2,000 a foot, that works back into their land valuations,” We said. “So when you go ahead and rezone and they’ll happily collect taxes on that basis.”

It’s not just tax assessments that could be affected; community amenity contributions (CACs) are also linked to property values. The discussions regarding them are often long and hard, as the negotiations regarding the former post office site in the 300-block of West Georgia highlight. Moreover, the cost to residential developers can be significant, boosting what finished units cost and, ultimately, market value – the lift that’s critical to CAC negotiations. City planning staff acknowledge the connection, unless land costs reflect the yet-to-be-negotiated CACs.

With the latest numbers from market research firm Urban Analytics Inc. indicating square-foot pricing surging toward $3,000 downtown, busting through $1,500 in Mount Pleasant and $1,200 in Joyce-Collingwood, developers are anxious, and new city policies regarding CACs aren’t calming them. Vancouver council last week ditched CAC negotiations for low-density rental projects and embraced standard fees for pure commercial developments, but negotiations remain for large rental projects and commercial strata rezonings. How escalating prices influence CACs concerns Urban Development Institute president and CEO Anne McMullin.

“We look forward to a continued collaboration with the city to improve CAC negotiations and move to more fixed fees when possible,” she said.

Highs and lows

It’s no surprise that Metro Vancouver rental markets remain tight. Canada Mortgage and Housing Corp.’s latest survey report has vacancies at 0.9%, up from 0.7% a year ago as a surge in new units entered the inventory. Rents increased 6.1% in turn to an average of $1,297 a month.

But the addition of 268 new units to the Langley market also translated into the single biggest rise in rents. Three-bedroom units now rent for $1,752 a month, 53% more than they did a year ago. Overall rents for the market increased 16.8% to $1,180 a month.

Three-bedroom units in West Vancouver had the greatest decrease in rents, 1`dropping 7.4% to $3,400 a month. English Bay apartments were the only ones to see rents for all unit types decline, posting an overall decrease of 0.4% to $1,467 a month.

Divergent trends

B.C. retail spending was up 10% over the past year, outpacing the rest of Canada, but Metro Vancouver continues to lag behind the country when it comes to shopping malls.

The opening of Tsawwassen Mills and Tsawwassen Commons added 1.8 million square feet, and Colliers International reports that Metro Vancouver now has 13.13 square feet per capita, up from 11.5 a year ago.

Victoria, meanwhile, has seen its retail space shrink to 12.93 from 13.2 square feet per capita. Jim Smerdon, vice-president and director of retail consulting for Colliers, says the loss of 74,000 square feet of space compounded the shortfall in retail development relative to population growth.

“This has been caused by local market forces such as the redevelopment of small strip centres and/or street-front retail into higher-value residential properties,” he said.

At a recent review of the investment market in the Lower Mainland, Matthew Boukall, senior director, residential, with Altus Group Data Solutions Inc., said retail properties have been a significant focus of real estate investors in both Vancouver and Toronto seeking properties to hold and intensify.

Retail properties accounted for 19% of investment volume in Metro Vancouver in the first half of 2017; residential land sales accounted for 35% of volumes.

“What we are seeing is just delayed redevelopment opportunities,” Boukall said of the retail investments.

B.C. Assessment Authority warns homeowners of outsized assessment increases

B.C. Assessment has sent warning letters to 67,000 British Columbia homeowners letting them know to expect outsized increases in their 2018 property assessments ahead of issuing the documents starting Jan. 1.

The number represents a decrease from 82,000 advance-notification letters, as the agency calls them, sent out in 2016 but is the third year in a row that it has sent out tens-of-thousands more than in years past as property markets have waxed and waned.

"(Assessment-values) reflect market conditions," said assessor Tina Ireland, "and the markets are not as strong this year as they were last year, which would result in a few less letters than last year."

However, those numbers compare with 37,000 letters in 2015 and 24,000 in 2014.

One difference this year is that condo owners, in a segment of the market where first-time buyers are scrambling to get in, can expect to see assessments soar 10 to 30 per cent compared with single-family homeowners.

“The majority of letters are going to strata (property) owners because that’s were the market (was) the most robust as of July 1,” Ireland said.

Relatively speaking, values were “more stable” for houses in Vancouver, Richmond, Burnaby and the North Shore.

In other regions, however, such as the Fraser Valley, Okanagan and Vancouver Island, more detached homeowners will see increases of 10 to 20 per cent.

Higher-than-average assessment increases have consequences in potentially higher property bills because municipalities and other taxing authorities such as TransLink, use average increases to set property-tax rates.

Using the average to adjust property-tax rates winds up shifting more of the overall tax burden to homeowners who see dramatically bigger increases in their properties’ assessment.

Those escalating assessments, particularly for owners in the condominium market, are a concern to municipal governments, said Vancouver Coun. Raymond Louie.

“It runs counter to our efforts to create affordable housing by increasing more supply,” Louie said.

Vancouver allows property owners to average dramatic increases in their tax bills over a couple of years to smooth out the impact of tax spikes, Louie said.

Louie argued that the city is also trying to accommodate people who want to live in the city through its empty-homes tax and stricter regulations on short-term rental services such as Airbnb. So it is concerning when rising assessments help to crimp affordability.

Louie said the province could help Metro Vancouver municipalities by adjusting the way that it uses property taxes to fund school operations.

He argued that under the current method, Vancouver homeowners wind up paying more into the provincial school budget than the Vancouver school board winds up getting back in operating funding, for example.

“I think there needs to be the recognition that Metro Vancouver, as a hot market, is different from the rest of the province,” Louie said.

Lower Mainland homeowners did receive the bulk of advance-notification letters, Ireland said.

The Vancouver assessment office, which includes the North Shore and municipalities on the north side of the Fraser River, sent out 24,564 of the letters or 36 per cent.

Surrey’s assessment office, which includes Richmond Delta, sent out 17,825 of the letters. The Abbotsford office sent out the third biggest grouping at 8,511. All together, the three regions account for 76 per cent of the warnings.

Ireland said homeowners will start receiving their official assessment notices in the first week of January.

Those who have registered to receive the document electronically will get it by email just after midnight Dec. 31, but the cutoff to register was Dec. 1.

Otherwise, all new assessment data will go live on B.C. Assessment’s website starting Jan. 2 with hard-copy notices going into the mail the same week.

Ireland encouraged anyone who has received one of the warning letters who has questions about their increase to contact B.C. Assessment for a more detailed explanation. Once they have official notices in January homeowners will have the option to appeal.

BC Assessment reaches out to property owners impacted by wildfires

Property owners impacted by the summer’s wildfires should have heard from BC Assessment by now.

“Over the past few months, we have been identifying and reviewing the property damage that occurred from the wildfires this past summer,” said Jarrett Krantz, deputy assessor for Northern B.C. “We have been focused on ensuring the current property conditions are used to determine 2018 property assessments.”

While BC Assessment is fairly confident that most Northern BC impacted property owners have been identified and contacted, Krantz said it is still possible that some properties may still need to be identified within the Cariboo region. People who have not been in contact are asked to call 1-866-825-8322 ext. 26405 as soon as possible.

As a result of the fires, property owners could see possible changes to their 2018 property assessments depending on their geographic location when their property assessments are mailed out in January 2018.

In the Thompson Okanagan region, BC Assessment was able to identify the impacted property owners within the region and have made the necessary adjustments to assessments, said Tracy Wall, deputy assessor for the Thompson Okanagan Region.

“We recognize the difficult situation that property owners have been in, and we want to work with you to ensure your property assessment is accurate because property assessments are used to determine your property taxes,” Wall said. “If anyone impacted by the wildfires, upon receiving the notices, feels that your assessment has not been adjusted appropriately, then you are urged to contact us to discuss the matter before January 31.”